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EMBARQTM

Embarq
902 Wasco Street
Hood River, OR 97031
EMBARQ.com

September 13, 2007

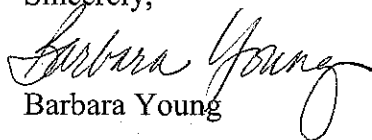
Public Utility Commission of Oregon
Attn: Filing Center
PO Box 2148
Salem, OR 97308-2148

Enclosed is the Application for Approval of an Agreement Between United Telephone Company of the Northwest and Embarq Logistics, an affiliated interest.

We have enclosed an original and four copies of the above filing. We respectfully ask that you return one receipted copy to this office.

Please feel free to call me with any questions or concerns you may have regarding the enclosed Agreement.

Sincerely,


Barbara Young

Enc.

Barbara C. Young
MANAGER - GOVERNMENT AFFAIRS OR WA
Voice: (541) 387-9850
Fax: (541) 387-9753
Barbara.C.Young@embarq.com

SERVICE AGREEMENT

THIS SERVICE AGREEMENT, dated as of August 8, 2007 (the "Agreement"), is entered into by and between Embarq Logistics, Inc., an Ohio corporation ("EL") and United Telephone Company of the Northwest ("Company") an Oregon corporation.

WITNESSETH:

A. EL and Company are wholly owned, direct or indirect subsidiaries of Embarq Corporation, a Delaware Corporation ("Parent"). EL will provide services, as defined and described herein, to telephone operating companies affiliated with Company and shall be referred to herein as "user company".

B. EL is a wholesale-distributor of telephone equipment and related supplies, and as such maintains a number of distribution centers throughout the United States in which procurement, storage, and distribution functions and services are performed. Company is a telephone operating company certified to provide telecommunications services within the state(s) of Oregon and Washington, and as such, requires procurement, storage and distribution facilities in its daily operations. This Agreement defines the procurement, storage, and distribution functions to be performed by EL for Company.

C. Company needs and desires to receive the services in order to realize its business objectives;

NOW, THEREFORE, in consideration for the mutual promises in this agreement, EL and Company agree as follows:

1. Product and related Supply Chain Services to be provided. EL will provide various products as requested by the Company, and will provide related services in connection with products provided as requested by the Company. The services to be provided include the following:

(a) Product sourcing and management. Identification of products and associated suppliers, negotiation of supplier agreements and contract administration.

(b) Order Management. Order entry, validation, processing and tracking, 24 hour emergency order processing.

(c) Warehouse management. Receiving, with and without Automatic Ship Notification ("ASN's"), storage, and order picking, packing, and shipping.

(d) Shipment staging. Virtual and physical staging of multiple orders and order consolidation of products to be shipped.

(e) Product Kitting. Pre-built multiple vendor product solutions are designed and built into a single stock keeping unit (sku) to meet a defined business need.

(f) Transportation Management. Dispatch, mode/route selection, freight audit and payment, claims management, shipment tracking and delivery, unloading and order sorting at delivery points, removal of discarded packing materials.

(g) Management of Hazardous materials. Provide special labeling, storage, and shipment requirements.

(h) Cable and Wire Cutting. Cutting, packing, and transport coordination, returns management (recycling of excess cable and wire), and steel reel management.

(i) Inventory Management. Manage on-hand quantities by location, expediting of orders placed with suppliers, development and maintenance of material codes for like products, and supplier relationship management.

(j) Design, Engineering, and Installation Services. The customized engineering of a solution to meet a business need, management of the project to customer acceptance, provisioning of all materials and services, and installation of the system at the specified site providing a turnkey solution.

(k) Returns Handling. Material pick-up, receiving, testing, restocking, address tracking, and refusal processing and tracking.

(l) Miscellaneous Services. Third-party logistics services for new and used product owned by the Company, and coin vault transportation.

2. Officers and Directors of the Company. The parties do not intend to restrict the duties of the officers and directors of the Company or limit the exercise of their powers as prescribed by law.

3. Services.

(a) The Company may cancel any of the services by giving EL a written notice of cancellation. EL and the Company will work to establish a timeline for termination or transition of the cancelled services. If no agreement is reached, then EL can stop providing the service one year after receipt of the notice to cancel the service.

(b) EL will perform the services in accordance with customary practices in the telecommunications industry. EL controls the manner and means by which the results are to be accomplished, consistent with legal and regulatory requirements and Company policy.

4. Costs and Billing. EL's fees charged to the Company for the products purchased by the Company shall be at EL's cost. EL's fees for related Supply Chain Services shall be no more than EL's fully distributed costs. In determining the fees, EL will do the following:

(a) Fees for services rendered for any single user company will be charged to and paid by that company.

(b) Fees for services rendered for more than one user company, but not all user companies, will be considered in the fee calculation for amounts charged to and paid by the user companies for which the services are rendered. The fees for the services that cannot be separately ascertained for each user company will be equitably allocated by EL among all the user companies for which the services are rendered and in accordance with applicable laws and regulations.

(c) Costs associated with the general administration of EL's services and costs incurred for all services performed for or furnished to all user companies generally, or all other costs not described in (a) or (b) above will be allocated in fees among all user companies on an equitable basis and in accordance with applicable laws and regulations. In making the allocations, EL will use the considered judgment of EL officers responsible for making the allocation. The allocation must result in charges to each user company as nearly as practicable equal in amount to the actual costs incurred in rendering services to that company.

(d) Charges will be handled between the parties through inter-company cost allocations. The Company will retain the right to contest the charges and make appropriate adjustments on the next inter-company cost allocation.

6. EL Personnel. EL has the exclusive right or duty to:

(a) Hire and train its personnel.

(b) Control, supervise and discipline its personnel.

(c) Provide all pension, insurance and other benefits to its personnel.

(d) Establish wage levels and determine all other compensation issues, and pay all salaries or fees of its employees or contract labor.

(e) Assign and reassign its workers to positions, including assignments to perform service for Affiliates.

(f) Control the manner and means by which results are to be accomplished, consistent with applicable legal and regulatory requirements and Company policy.

(g) Provide casualty and workers' compensation insurance for all its employees.

7. Term; Assignment. This Agreement will remain in effect for three (3) years and will automatically renew from year to year, subject to termination by either party on 90 days' written notice to the other party of an intention to terminate; provided, however, the parties may terminate this Agreement by mutual written consent at any time. Either party may assign this Agreement in whole or in part to a successor legal entity that is a subsidiary or affiliate of Parent without notice or consent, except all required governmental and regulatory approvals, if any, must be obtained in advance. Except as set forth in the prior sentence, this Agreement is not assignable by either party to any other entity without the written consent of the other party. On consent being obtained, this Agreement is binding on and inure to the benefit of the successors and assigns of the parties hereto.

If either party terminates the Agreement, EL and Company will work to establish a timeline for termination or transition of the services provided under this Agreement. If no agreement is reached regarding a timeline for termination or transition of the services, then EL can stop providing the services one year after receipt of the notice to terminate the Agreement.

8. Effective Time; Entire Agreement. This Agreement will be effective on the last to occur of the following (the "Effective Time"):

- (a) the date of execution of this Agreement by each of the parties;
- (b) approval of this Agreement by all governmental agencies that must approve it prior to the Agreement being effective.

As of the Effective Time, this agreement constitutes the entire agreement between the parties and supersedes, replaces and terminates any and all previous agreements between the parties relating to the subject matter of this Agreement.

9. Governing Law. This Agreement is governed by the internal laws of the State of Kansas without regard to conflicts of law principles.

10. Arbitration. The parties will use arbitration to resolve any breach, controversy or claim relating to this agreement that they cannot resolve by mutual agreement. The arbitration will be pursuant to the rules of the arbitration organization then used by Parent with respect to disputes.

11. Amendment. This Agreement can be modified only by a written amendment duly signed by persons authorized to sign agreements on behalf of the parties,

12. Waiver. No course of dealing or failure of either party to strictly enforce any term, right or condition of this Agreement will be construed as a waiver of the term, right or condition.

13. Force Majeure. Neither party is held liable for any delay or failure in performance of any part of this Agreement because of cause or circumstances beyond its control such as acts of God; acts of civil or military authorities; legislative, executive or judicial acts of any governmental entity; government regulations; embargoes; epidemics; war; terrorist acts; riots; insurrections; fires; explosions; earthquakes, nuclear accidents, floods, or other major environmental disturbances; power blackouts; strikes; or from any other cause of whatsoever kind beyond a party's control (collectively referred to as "Force Majeure Conditions"). If a Force Majeure Condition affecting either party, both parties must cooperate as appropriate to perform their obligations under this Agreement.

14. Severability. Neither party intends to violate state or federal statutory or common laws and applicable regulations. If any sentence, paragraph, clause or combination thereof in this Agreement is in violation of any state or federal statutory or common law and applicable regulations it or is required to be changed to comply with such, then the paragraph, clause or sentence, or combination thereof is inoperative, and the remainder of this Agreement must remain binding on the parties to this Agreement.

Embarq Logistics, Inc.

United Telephone Company

of the Northwest

By: Richard K. Summers

Name: Richard K. Summers

Title: Vice President - Logistics Operations

By: Linda K. Gardner

Name: Linda K. Gardner

Title: Vice President Regulatory Affairs

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

In the Matter of the Application)
of United Telephone Company)
of the Northwest for an order) No.
approving contracts with Affiliated)
Interests for Services)

United Telephone Company of the Northwest dba Embarq (hereinafter "Applicant") files this application for approval of a Services Agreement between the Applicant and Embarq Logistics, Inc., an Ohio corporation ("EL").

In support of this application file pursuant to OAR 860-027-0040, it is respectfully shown:

(a) Applicant name and address:

United Telephone Company of the Northwest
902 Wasco Street
Hood River, OR 97031

(b) Persons authorized to receive communication:

William Hendricks III Attorney Embarq 902 Wasco Street Hood River, OR 97031	Barbara C. Young Governmental Affairs Manager Embarq 902 Wasco Street Hood River, OR 97031
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(c) Relationship between contracting entity and affiliates:

The Applicant and EL are both wholly owned subsidiaries of Embarq Corporation, a Delaware Corporation ("Parent") as of the effective date of the Services Agreement.

(d) Amount, kind, ratio of total voting securities held:

Not applicable.

(e) List of all officers and directors who are also officers and directors of the affiliate:

See Attachment A.

(f) Direct or pecuniary interest:

Not applicable.

(g) Description of goods or services to be provided, and costs of goods and services:

(1) Product sourcing and management. Identification of products and associated suppliers, negotiation of supplier agreements and contract administration.

(2) Order Management. Order entry, validation, processing and tracking, 24 hour emergency order processing.

(3) Warehouse management. Receiving, with and without Automatic Ship Notification (“ASN’s”), storage, and order picking, packing, and shipping.

(4) Shipment staging. Virtual and physical staging of multiple orders and order consolidation of products to be shipped.

(5) Product Kitting. Pre-built multiple vendor product solutions are designed and built into a single stock keeping unit (sku) to meet a defined business need.

(6) Transportation Management. Dispatch, mode/route selection, freight audit and payment, claims management, shipment tracking and delivery, unloading and order sorting at delivery points, removal of discarded packing materials.

(7) Management of Hazardous materials. Provide special labeling, storage, and shipment requirements.

(8) Cable and Wire Cutting. Cutting, packing, and transport coordination, returns management (recycling of excess cable and wire), and steel reel management.

(9) Inventory Management. Manage on-hand quantities by location, expediting of orders placed with suppliers, development and maintenance of material codes for like products, and supplier relationship management.

(10) Design, Engineering, and Installation Services. The customized engineering of a solution to meet a business need, management of the project to customer acceptance, provisioning of all materials and services, and installation of the system at the specified site providing a turnkey solution.

(11) Returns Handling. Material pick-up, receiving, testing, restocking, address tracking, and refusal processing and tracking.

(12) Miscellaneous Services. Third-party logistics services for new and used product owned by the Company, and coin vault transportation.

The only costs to be incurred are those necessary to provide the services described above. They will include only costs prudently incurred in a responsible manner under the control of the departmental supervisor acting

within the budgetary controls approved by the senior management of EL. These services are priced at their fully distributed cost.

- (h) Estimate of amount paid and amounts charged; accounts in which charges will be recorded:

The amount paid in 2006 by United Telephone Company of the Northwest to EL was approximately \$3 million. It is not anticipated that the amount in 2007 and subsequent years will be materially different from this amount. The account in which charges were recorded in 2006 and is expected to be charged in subsequent years is: 6512.

- (i) Reasons Applicant wishes to procure these services from EL and benefit to utility customers:

The Applicant is better and more economically assisted by the centralized group of specialists available from EL. Centralization creates real opportunities to achieve economics of scope and scale in the provision of specialized skills and services. Many of the services performed by EL require special skills and/or educational backgrounds. It is not cost effective or practical to have such specialization at United Telephone Company of the Northwest and at each of the other operating group locations to perform similar functions. The centralization philosophy enables each entity to share only a portion of the cost of the corporate expertise as opposed to bearing the total cost on a stand-alone basis.

Applicant believes the services provided by or through EL are beneficial and necessary and enhance Applicant's ability to provide quality service to its customers. Applicant further believes the costs incurred in the provision of these services represent legitimate business expenses and are prudently incurred and fairly allocated as indicated below.

The prices for products and services purchased from EL are determined by the cost to provide the service. Expenses generated by certain EL departments in providing services are allocated based upon a review of time and resources spent by the individual departments in various activities related to the provision of necessary services. The expenses of other departments are allocated based on statistically derived factors related to the activities performed by the department.

Costs that are charged to the Applicant and other telephone subsidiaries are allocated among them based on factors related to the activities of each subsidiary. The allocation basis relates to the nature of the work performed. Each basis used is designed to provide a reasonable relationship to the expected benefit of the service to the companies.

- (j) A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of the procurement, relied upon by the utility for

procuring the proposed goods or services without a competitive procurement process, if such a process is not used;

See (i) above. The services described represent a core competency for EL and are most efficiently and economically purchased from EL. It is not cost effective to purchase the various services from the multiple vendors that would be required.

- (k) Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process;

All transactions between the Applicant and EL will conform to the Rules and Regulations of this Commission and FCC Docket Nos. 86-111 and 96-150.

- (l) Agreement between United Telephone Company of the Northwest and EL:

See Attachment B.

- (m) Resolutions of Directors authorizing proposed transactions:

Not applicable.

List of Directors and Officers Shared by
United Telephone Company of the Northwest
and Embarq Logistics, Inc.

Daniel A. Alcazar
Thomas C. Apel
Zsuzsanna E. Benedek
Gene M. Betts
William R. Blessing
Harry S. Campbell
Kelly M. Carnago
Louis Carrion
Stephen S. Carter
Dana L. Chase
William E. Cheek
Brad Clark
Byron Clymer
Melanie K. Coleman
Michael J. Eason
Esther G. Eisenfeld
Thomas A. Gerke
Richard B. Green
James A. Hansen
Gayle G. Hickman
E.J. Ned Holland
Harold L. Holmquist
Richard A. Hrip
Dennis G. Huber
Jeffrey M. Johns
Mark R. Kenyon
Simon Kuo
Jeffrey Lynch
Tracy D. Mackey
Ellen S. Martin
Wayne C. Mathisen
James C. Mayfield
Thomas J. McEvoy
Leslie H. Meredith
Valerie Parrish-Porter
David F. Platt
Susan S. Sarna
Christopher D. Schneider
Michael L. Seitz

Nancy L. Shelledy
Robert H. Sloboda
Loren V. Sprouse
Joseph R. Stewart
Patrick W. Stutzman
Richard K. Summers
Claudia S. Toussaint
Kenneth D. Wyatt
David W. Zesiger

WHEREFORE, Applicant respectfully requests that this Commission enter findings and an order that the Agreement described herein is fair and reasonable and not contrary to the public interest and approving said transactions.

Dated this 13th day of September, 2007.

Respectfully Submitted,

UNITED TELEPHONE COMPANY OF THE NORTHWEST

By:  _____

William Hendricks III
Attorney
Embarq
902 Wasco Street
Hood River, OR 97031