



Lawrence H. Reichman  
PHONE: 503.727.2019  
FAX: 503.346.2019  
EMAIL: lreichman@perkinscoie.com

1120 N.W. Couch Street, Tenth Floor  
Portland, OR 97209-4128  
PHONE: 503.727.2000  
FAX: 503.727.2222  
www.perkinscoie.com

March 31, 2006

**BY HAND DELIVERY**

Hearings Division  
Public Utility Commission of Oregon  
550 Capitol Street N.E., Suite 215  
Salem, Oregon 97301-2551

**Re: Docket No. UT 125**

To whom this may concern:

Pursuant to the First Conference Report in the above-referenced docket, issued March 21, 2006, Qwest hereby files its proposed rates for PAL and Fraud Protection, along with its proposed rate for Residential Caller ID. This filing is intended to implement the remand of Commission Order No. 01-810 (the "Order") required by the Court of Appeals' decision in *Northwest Public Communications Council v. Public Utility Commission of Oregon*, 196 Or. App. 94, 100 P.3d 776 (2004), and the subsequent Judgment Remanding Case to Public Utility Commission entered by the Marion County Circuit Court in Case No. 02C12247 on or about May 19, 2005.

This filing accomplishes two things. First, it proposes lower rates than the Commission approved in the Order for certain payphone services, including Public Access Line ("PAL") and Fraud Protection (formerly known as CustomNet), in order to comply with the federal requirements for those rates as mandated by the Court of Appeals' decision on judicial review of the Order. These proposed rates are supported by cost studies and calculations that demonstrate compliance with the new services test and support the rate deaveraging proposal. The lower payphone service rates result in a revenue reduction for Qwest in the amount of approximately \$1 million per year, based upon the test year units utilized in the Order. Second, to offset the revenue reduction that would result from approval of the new payphone service rates in this docket, this filing proposes to increase the rate for Residential Caller ID.

[13141-0126/PA060880.072]

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The specific rates that Qwest proposes for Commission approval are set forth in Attachment A to this letter. These rates are supported by the several exhibits to this letter, which include information that Qwest designates as confidential pursuant to the Protective Order in this matter, Order No. 96-045. We are filing an original plus five paper copies as well as electronic versions of each of these exhibits. This confidential information is being filed under seal and will be served only in electronic form upon those persons that have executed the Consent to be Bound by the Protective Order. This letter will summarize the contents of these exhibits.

Exhibit A provides Qwest's proposed rates for PAL, Fraud Protection, and Residential Caller ID. This exhibit also calculates the revenue impact of (1) the proposed payphone service rate reductions and (2) the proposed Residential Caller ID rate increase, based upon test year units. The deaveraged PAL rates listed in Exhibit A are calculated in Exhibits B and C, based on the costs in Exhibits D and E.

Exhibit B calculates the proposed deaveraged rates for PAL services based on the state average rates calculated in Exhibit C and a weighting of revenues and quantities by rate group. These calculations are based upon 2002 data, because this exhibit was developed in connection with Qwest's 2003 PAL rate filing.


Exhibit C calculates the state average rate for each PAL line element. The rates are calculated based on the TSLRIC costs provided in Exhibit D, and reflect the subtraction of the CALC as required by the FCC's orders.

Exhibit D is the 2002 PAL recurring cost study.

Exhibit E is the 2002 Fraud Protection cost study.

Exhibit F sets forth the Qwest PAL and Smart PAL cost comparison, using the ONA test-based ratios. This exhibit provides the FCC's price ceilings for PAL line services.

Sincerely yours,



Lawrence Reichman

cc: Attached service list

## ATTACHMENT A

PRODUCT	USOC	UT 125 DEAVERAGED RATE	PROPOSED DEAVERAGED RATE
<b><u>PUBLIC ACCESS LINE - REDUCTION</u></b>			
Measured w/ 300 call allowance	15W		
Rate Group 1		\$26.00	\$13.94
Rate Group 2		\$28.50	\$15.28
Rate Group 3		\$30.50	\$16.35
Message w/ 300 call allowance	1W3		
Rate Group 1		\$26.00	\$15.19
Rate Group 2		\$28.50	\$16.65
Rate Group 3		\$30.50	\$17.82
PAL lines – measured (out)	16Q		
Rate Group 1		\$18.00	\$7.98
Rate Group 2		\$18.00	\$7.98
Rate Group 3		\$18.00	\$7.98
PAL lines – measured (2w)	17Q		
Rate Group 1		\$18.00	\$7.98
Rate Group 2		\$18.00	\$7.98
Rate Group 3		\$18.00	\$7.98
PAL lines – message	1MA		
Rate Group 1		\$18.00	\$7.98
Rate Group 2		\$18.00	\$7.98
Rate Group 3		\$18.00	\$7.98
PAL - flat	1KY		
Rate Group 1		\$26.00	\$8.78
Rate Group 2		\$28.50	\$9.62
Rate Group 3		\$30.50	\$10.30
PAL Carrier	1N8		
Rate Group 1		\$28.00	\$8.99
Rate Group 2		\$30.50	\$9.96
Rate Group 3		\$32.50	\$10.74
Smart Pal – flat (out)	5FO		
Rate Group 1		\$27.62	\$8.45
Rate Group 2		\$29.57	\$9.05
Rate Group 3		\$31.05	\$9.50
Smart Pal – flat (2w)	5FP		
Rate Group 1		\$27.62	\$9.50
Rate Group 2		\$29.57	\$10.17
Rate Group 3		\$31.05	\$10.68
Smart Pal – message	14C, 1NH		
Rate Group 1		\$19.24	\$8.61
Rate Group 2		\$19.24	\$8.61
Rate Group 3		\$19.24	\$8.61

<b>PRODUCT</b>	<b>USOC</b>	<b>UT 125 DEAVERAGED RATE</b>	<b>PROPOSED DEAVERAGED RATE</b>
PAL Usage			
Minutes		\$0.03	\$0.01
Message		\$0.07	\$0.02
<b>Custom Net/Fraud Protection</b>		\$2.00	\$0.11
<b><u>PROPOSED REVENUE OFFSET</u></b>			
<b>Residential Caller ID</b>	NNK	\$5.00	\$5.60
	NSD	\$5.00	\$5.60

## SERVICE LIST

\* Robert Manifold  
Attorney at Law  
6993 Via Valverde  
La Jolla, California 92037

Lon E. Blake  
Regulator Director  
Advanced Telcom Inc  
463 Aviation Boulevard, Suite 120  
Santa Rosa, CA 95403

David J. Miller  
AT&T  
795 Folsom Street, Room 2159  
San Francisco, CA 94107-1243

\* Lisa F. Rackner  
Ater & Wynne LLP  
222 SW Columbia Street, Suite 1800  
Portland, OR 97201-6618

\* Jason Eisdorfer  
Citizens' Utility Board of Oregon  
610 SW Broadway, Suite 308  
Portland, OR 97205

Mark P. Trincherro  
Davis Wright Tremaine LLP  
1300 SW Fifth Avenue, Suite 2300  
Portland, OR 97201-5682

\* Jason W. Jones  
Assistant Attorney General  
Department of Justice  
Regulated Utility and Business  
Section  
1162 Court St., NE  
Salem, OR 97301-4096

\* Richard J. Busch  
Graham & Dunn PC  
Pier 70 -2801 Alaskan Way  
Seattle, WA 98121-1128

Deborah Harwood  
VP and General Counsel  
Integra Telecom of Oregon Inc.  
1201 NE Lloyd Boulevard, Suite  
500  
Portland, OR 97232

\* Karen J. Johnson  
Corporate Regulatory Attorney  
Integra Telecom of Oregon Inc.  
1201 NE Lloyd Boulevard, Suite  
500  
Portland, OR 97232

\* Brooks Harlow  
Miller Nash LLP  
601 Union Street, Suite 4400  
Seattle, WA 98101-2352

Randy Linderman  
Pacific Northwest Payphone  
1315 NW 185<sup>th</sup> Avenue, Suite 215  
Beaverton, OR 97006-1947

\* Alex M. Duarte  
Corporate Counsel  
Qwest Corporation  
421 SW Oak Street, Suite 810  
Portland, OR 97204

\* Michael E. Daughtry  
VP Operations & Reg Contact  
United Communications Inc.  
P.O. Box 1191  
Bend, OR 97709-1191

\* Dean Randall  
Verizon Northwest Inc.  
P.O. Box 1100  
Beaverton, OR 97075-1100

Michel Singer-Nelson  
Regulatory Attorney  
Worldcom Inc.  
707 -17<sup>th</sup> Street, Suite 4200  
Denver, CO 80202

\* Robert Jenks  
Citizens' Utility Board of Oregon  
610 SW Broadway, Suite 308  
Portland, OR 97205

David L. Rice  
Miller Nash LLP  
601 Union Street, Suite 4400  
Seattle, WA 98101-2352

*\*Denotes signatory to Protective Order*