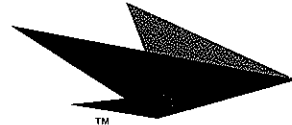


Voice | Data | Internet | Wireless | Entertainment



EMBARQTM

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

SENT BY E-MAIL AND REGULAR MAIL

June 9, 2006

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 Midwest Management Services and Sprint Mid-Atlantic Telecom, which are both affiliated interests.

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

If additional information is required, please contact me or Barb Young at 541/387-9850.

Sincerely,

Nancy L. Judy

NLJ/sm
Enclosure

Nancy L. Judy
STATE EXECUTIVE - OR & WA
Voice: (541) 387-9265
Fax: (541) 387-9753
nancy.judy@embarq.com

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 Midwest Management Services Company, a Kansas corporation and Sprint Mid-Atlantic Telecom, Inc., a North Carolina corporation (hereinafter collectively referred to as Embarq).

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	Nancy L. Judy State Executive Embarq 902 Wasco Street Hood River, OR 97031
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(c) Relationship between contracting entity and affiliates:

The Applicant and Embarq will both be wholly owned subsidiaries of Embarq Corporation, a Delaware Corporation ("Parent") as of or prior to 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:

Management Services

1. Human Resource Services. Provide centralized management and administration of pension and savings plans and other benefit programs for Company's employees; maintain personnel records on all key employees; coordinate inter-company moves; establish and maintain personnel performance measurement and compensation programs; establish and conduct training and management development programs; and provide other human resources services as requested or required.
2. Sales and Marketing Support Services. Provide advice and assistance in the sales and marketing of regulated and competitive telecommunications products and services. Support services are to include the promotion of new and existing services, the filing of appropriate tariffs and the undertaking of public relations and advertising efforts.
3. Customer Service Support Functions. Provide administration and management of Service and Repair, Order Taking, and Number Assignment functions.
4. Network Support Services. Provide monitoring, testing and general engineering services for voice and data networks.
5. Information Services. Provide information processing and related services as required and requested by the Company (e.g., Mainframe, Midrange, Help Desk, and Programming), limited only by the capacity of Embarq to perform such services and all such services requested or required by other subsidiaries of Parent.
6. Additional Services. Provide other services as requested or required, subject to feasibility as determined by Embarq.

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 Embarq. 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 2005 by United Telephone Company of the Northwest for Management Services was approximately \$3 million. It is not anticipated that the amount in 2006 and subsequent years will be materially different from this amount. Accounts in which charges were recorded in 2005 and are expected to be charged in subsequent years are: 6112, 6121, 6124, 6232, 6311, 6532, 6533, 6534, 6535, 6611, 6612, 6613, 6621, 6622, 6623, 6721, 6723, 6724, and 6728.

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

The Applicant is better and more economically assisted by the centralized group of specialists available from Embarq. 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 Embarq 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 Embarq 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.

Services provided by Embarq are priced at fully distributed cost. Expenses generated by certain Embarq 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 department. As an example, costs of Human Resources departments are allocated on the basis of the number of employees of each telephone subsidiary compared to the total number of employees of all telephone subsidiaries. Other departments are allocated based on net-property, plant and equipment investment. In each case, 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 Embarq and are most efficiently and economically purchased from Embarq. 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 Embarq 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 Embarq:

See Attachment B.

- (m) Resolutions of Directors authorizing proposed transactions:

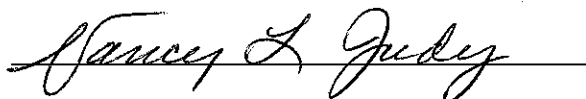
Not applicable.

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 9th day of June, 2006.

Respectfully Submitted,

UNITED TELEPHONE COMPANY OF THE NORTHWEST

By: 

Nancy L. Judy
State Executive, OR & WA
Sprint
902 Wasco Street
Hood River, OR 97031

List of Directors and Officers Shared by
United Telephone Company of the Northwest,
Embarq Midwest Management Services Company
and Sprint Mid-Atlantic Telecom, Inc.

Michael B. Fuller
Leslie H. Meredith
Claudia S. Toussaint
Daniel A. Alcazar
Gene M. Betts
Bill 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
Richard C. Eckhart
Essie G. Eisenfeld
Thomas A. Gerke
Richard B. Green
James A. Hansen
Ned Holland
Dennis G. Huber
Mark R. Kenyon
Simon Kuo
Jeffrey Lynch
Ellen S. Martin
James C. Mayfield
Thomas J. McEvoy
Steven L. McMahon
Valerie Parrish-Porter
David F. Platt
Susan S. Sarna
Christopher D. Schneider
Michael L. Seitz
Nancy L. Shelledy
John G. Short
Robert H. Sloboda

Loren V. Sprouse
Patrick W. Stutzman
Richard K. Summers
Richard C. Watters
Kenneth D. Wyatt
Thomas C. Apel
ZsuZsanna E. Benedek
Jack H. Derrick
Michael J. Eason
D. Brett Haring
Gayle Hickman
Hal L. Holmquist
Richard A. Hrip
Jeffrey M. Johns
Nancy L. Judy
Tracy D. Mackey
Wayne C. Mathisen
Joseph R. Stewart

SPECIAL SERVICES AGREEMENT

THIS SPECIAL SERVICES AGREEMENT, dated as of May 12, 2006 (the "Agreement"), is entered into by and between Embarq Midwest Management Services Company, a Kansas corporation ("EMMSC") and Sprint Mid-Atlantic Telecom, Inc., a North Carolina corporation, (together with EMMSC referred to herein as the "Service Providers") and United Telephone Company of the Northwest ("Company") an Oregon corporation.

WITNESSETH:

A. The Service Providers and Company will be wholly owned subsidiaries of Embarq Corporation, a Delaware Corporation ("Parent") as of or prior to the Effective Date (as hereinafter defined).

B. The Services Providers are prepared to provide certain specialized services to and for the Company and companies affiliated with Company; and

C. The services to be provided by the Service Providers are different from and in addition to services provided to the Company by Embarq Management Company, also a wholly owned subsidiary of Parent; and

D. Company needs and desires to receive the services provided by the Services Providers in addition to the services provided by Embarq Management Company in order to realize its business objectives.

NOW, THEREFORE, in consideration for the mutual promises in this Agreement, the Service Providers and Company agree as follows:

1. **Services.** During the term of this Agreement, the Service Providers, through their officers, agents and employees, whose salaries will be paid by the Service Providers, must hire, train and manage their personnel (or in certain instances contract with other companies or firms to provide the personnel) to provide the services as requested by Company, including:

- (a) **Human Resource Services.** Provide certain human resources services as requested or required.
- (b) **Sales and Marketing Support Services.** Provide advice and assistance in the sales and marketing of regulated and competitive telecommunications products and services. Support services are to including the promotion of new and existing services, the filing of appropriate tariffs and the undertaking of public relations and advertising efforts.
- (c) **Customer Service Support Functions.** Provide administration and management of service and repair, order raking, and number assignment functions.

- (d) **Network Support Services.** Provide monitoring, testing, and general engineering services for voice and data networks.
- (e) **Information Services.** Provide certain information processing and related services as required and requested by the Company. .
- (f) **Additional Services.** Provide certain other services as requested or required, subject to feasibility as determined by the Service Providers.

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 the organizational documents of the Company or by law.

3. **Provision and Termination of Services.**

- (a) The Company may cancel any of the services by giving the Service Providers a written notice of cancellation. The Service Providers and the Company will work to establish a timeline for termination or transition of the cancelled services. If no agreement is reached, then the Service Providers can stop providing the service one year after receipt of the notice to cancel the service.
- (b) The Service Providers will perform the services in accordance with customary practices in the telecommunications industry. The Service Providers control the manner and means by which the results are to be accomplished, consistent with legal and regulatory requirements and Company policy.

4. **Fees.** The Service Providers will charge fees to the Company and other affiliated companies for the services it provides, and The Services Providers' fees charged to the Company and other affiliated companies for such services will be equal to the Service Providers' actual costs of providing the services. Fees for services provided by the Service Providers shall be determined by the Service Providers in accordance with 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 management 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 allocated by the Service Providers on an equitable basis 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 the Service Providers' 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 management fees among all user companies on an equitable basis and in accordance with applicable laws and regulations. In making the allocations, the

Service Providers will use the considered judgment of the officers of the Service Providers 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) Fees payable by the Company for services rendered hereunder will be handled between the parties through inter-company cost allocations. The Company will retain the right to contest the Fees for one hundred twenty (120) calendar days following the cost allocation. If the parties have not resolved the charges within one hundred days of the dispute, either party may invoke arbitration pursuant to Section 10 hereunder.

5. Service Provider Personnel. Each of the Service Providers 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 affiliated companies other than the Company.
- (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.

6. Term; Assignment. This Agreement will remain in effect from year to year but may be terminated by either party on 90 days' written notice to the other party, except the parties may terminate this Agreement without notice 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. Upon receipt of any required consents, 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, the Service Providers and Company will work to establish a timeline for termination or transition of the cancelled services. If no agreement is reached, then the Service Providers can stop providing the services one year after receipt of the notice to cancel the service.

7. Effective Date; Entire Agreement. This Agreement will be effective on the date (the "Effective Date") that the last of the following events occurs:

- (a) the date of execution of this Agreement;
- (b) approval of this Agreement by all governmental agencies, if any, that must approve prior to the Agreement being effective; and
- (c) the spin-off of Parent from Sprint Nextel Corporation, a Kansas corporation.

On the Effective Date, 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.

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

9. 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.

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

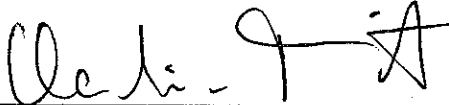
11. Waiver. No course of dealing or failure of either party to strictly enforce any term, right or condition of this Agreement will be construed as a waiver of the term, right or condition.

12. 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.

13. 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 in this Agreement.

Service Providers:

EMBARQ MIDWEST MANAGEMENT
SERVICES COMPANY

By: 

Claudia S. Toussaint
Vice President and Secretary


Company:

UNITED TELEPHONE COMPANY OF THE
NORTHWEST

By: 

Name: Chad Eckhart
Title: Vice President, Regulatory
Affairs

SPRINT MID-ATLANTIC TELECOM, INC.

By: 

Claudia S. Toussaint
Vice President and Secretary