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**BEFORE THE PUBLIC UTILITY COMMISSION**  
**OF OREGON**

UT 125/PHASE II  
RATE DESIGN

In the Matter of the Application of )  
QWEST CORPORATION for an ) ORDER  
Increase in Revenues. )

**DISPOSITION: APPLICATION FOR RECONSIDERATION GRANTED;  
MEMORANDUM OF UNDERSTANDING APPROVED**

On November 16, 2001, Qwest Corporation (Qwest) filed this application for reconsideration of Order No. 01-810. Qwest states that on October 12, 2001, it filed Advice No. 1849 S-1 with accompanying tariff pages to implement the Order, and Staff reviewed those tariffs. As a result of that review and further discussions, Qwest and Staff agreed to certain revisions. Qwest and Staff developed a Memorandum of Understanding (MOU) setting out the rates that the Commission should order on granting reconsideration. Qwest, joined by Staff, requests Commission approval of the MOU. No other party responded to Qwest's application.

The rates for which Qwest requests reconsideration are certain basic business service rates, which should be set lower than those filed with Advice No. 1849 S-1. Qwest also believes that the order contains an error of fact relating to rates for Measured Extended Area Service (EAS), and believes that good cause exists for further examination of those rates to achieve the appropriate level of revenue reduction. The MOU also addresses the Measured EAS rates.

*1. Local Business Access and Business Basic Measured Service Rates.*  
Qwest's revised rate spread, filed on March 19, 2001, proposed rates for certain Local Business Access Services that are \$0.20 higher in each of the rate groups than the rates Qwest proposed in its November 15, 2000, filing. In presenting their case to the Commission, neither Staff nor Qwest discussed these changes. The order adopts Qwest's proposed rates for business access services (at 55) but does not specify whether the rates adopted are the November 15, 2000, rates or the March 19, 2001, rates. In the MOU,

Staff and Qwest agree to recommend approval of the lower rates for Local Business Access Services that Qwest filed on November 15, 2000. Qwest and Staff also agree that the rates for Business Basic Measured Services included in Advice No. 1849 S-1 do not comply with the order and should be revised. Making these changes to Advice No. 1849 S-1 would result in a total revenue reduction of approximately \$64.7 million, exceeding the authorized revenue reduction ordered in Order No. 00-190 by approximately \$500,000.

2. *Measured EAS Rates.* Qwest and Staff agree in the MOU that the \$500,000 excess in revenue reduction results from an oversight in filed testimony calculating the revenue impact of a price change for EAS services. Qwest proposed to lower the rate for both residence and business measured EAS (described in Qwest's Exchange and Network Services Tariff, PUC Oregon No. 29, section 5.2.1.E.3.h, for calls placed outside the customer's local exchange boundary, non-discount) from \$0.05 to \$0.03. Staff agreed with this proposal; however, in calculating the revenue impact of its proposals, Staff assigned a smaller revenue decrease to this rate change than Qwest did, because Staff found the company's schedule in support of its proposal unclear. If Staff had assigned the level of revenue reduction to this rate change that Qwest did, Staff would have proposed higher rates for some other service or services to achieve the proper overall level of revenue reduction.

To adjust for this oversight, Qwest and Staff recommend that the Commission approve rates for both residence and business measured EAS of \$0.04 instead of the originally proposed \$0.03.

Qwest and Staff ask the Commission to approve the MOU, attached to this order as Attachment A and incorporated herein. Appendix A to the MOU sets out the rates to which Qwest and Staff agree in the MOU. Staff and Qwest agree that these revisions to Advice No. 1849 S-1 should be implemented in two phases. Qwest has filed a Supplement to Advice No. 1849 S-1 along with this application, implementing the business access rates set forth in Appendix A to the MOU (described in the MOU as the First Supplement). Qwest and Staff agree that the Commission should approve Advice No. 1849 S-1 as supplemented by the First Supplement to become effective January 1, 2002. Qwest will file a Second Supplement implementing the revised measured EAS rate within five business days after Commission approval of this application and the MOU, to become effective as soon as reasonably practicable.

We conclude that Qwest's application for reconsideration should be granted. The MOU should be approved and the rates in Appendix A to the MOU should be implemented as set out in the paragraph above.

ORDER

IT IS ORDERED that:

1. Qwest's application for reconsideration of Order No. 01-810 is granted.
2. The Memorandum of Understanding, attached as Attachment A, filed by Qwest and Staff is approved.
3. Advice No. 1849 S-1 as supplemented by the First Supplement is approved to become effective January 1, 2002.
4. Qwest shall file a Second Supplement to Advice No. 1849 S-1, implementing the revised measured EAS rate set out in Appendix A to the MOU, within five business days after this order is entered, to become effective as soon as reasonably practicable.

Made, entered, and effective \_\_\_\_\_.

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**Roy Hemmingway**  
Chairman

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**Lee Beyer**  
Commissioner

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**Joan H. Smith**  
Commissioner

A party may appeal this order to a court pursuant to applicable law.