

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1354

In the Matter of)	
)	
QWEST CORPORATION)	ORDER
)	
Petition for Approval of Price Plan Pursuant to ORS 759.255.)	

**DISPOSITION: STIPULATION APPROVED; PRICE PLAN
ADOPTED**

In this Order, the Commission adopts the Stipulation Agreement among the following: Qwest Corporation (Qwest); Staff of the Public Utility Commission of Oregon (Staff); the Citizens’ Utility Board of Oregon (CUB); Telecommunications Ratepayers Association for Cost-Based and Equitable Rates (TRACER); XO Communications, Services, Inc. (XO); Time Warner Telecom of Oregon LLC (TWT); Covad Communications Company (Covad); Integra Telecom of Oregon, Inc. (Integra); and McLeodUSA Telecommunications Services, Inc. (McLeod) (collectively “Joint CLECs”), and approves the Price Plan attached to the Stipulation Agreement as Exhibit A.

BACKGROUND

On December 29, 1999, Qwest elected to be subject to price cap regulation and has been so regulated ever since without regard to earnings, rate base or rate of return. The rates for “basic” services were established in September, 2001, by Commission Order No. 01-810 in docket UT 125. Price caps for “non-basic” services, along with TSLRIC¹ price floors, were established in docket UT 125. Qwest reporting and filing requirements were also simplified along the way.

Several years ago in docket UX 29, Qwest petitioned the Commission to remove price cap regulation and reporting requirements for all of its 4,000+ business service offerings statewide, relying on the fact that there were licensed certified local exchange carrier (CLEC) competitors in every wire center and that Qwest had lost in excess of 30 percent market share. (Qwest had, for many years, the ability to unilaterally reduce its prices, but with few exceptions, Qwest’s business services were all still being offered at their maximum allowable prices). After a fairly involved review and analysis,

¹ Total System Long-Run Incremental Costs.

the Commission found that competitive forces sufficient to keep Qwest from unilaterally raising consumer prices without constraint existed in only a small portion of the market; i.e., businesses served by four or more lines in the Portland and Clackamas wire centers.² Qwest decided not to file tariffs for those wire centers and therefore price caps for basic business services continued as before.³

Petition. On October 26, 2007, Qwest Corporation (Qwest) filed a Petition for Approval of Price Plan Pursuant to ORS 759.255. CUB filed a Notice of Intervention and Waiver of Paper Service pursuant to ORS 774.180. Pursuant to rulings of the Administrative Law Judge (ALJ) granting petitions to intervene, the following entities became parties to this proceeding: TRACER, XO, TWT, Covad, Integra, McLeod, the Oregon Telecommunications Association (OTA)⁴ and Verizon Northwest Inc.

Amended Petition. On February 11, 2008, Qwest filed an Amended Petition for Approval of Price Plan Pursuant to ORS 759.255 (Amended Petition), which superseded the original Petition, including the proposed price plan. CUB, TRACER and Joint CLECs sought dismissal of the Amended Petition. The Motion to Dismiss was denied by our Order No. 08-132 on February 28, 2008.

THE STIPULATION AGREEMENT

On June 18, 2008, Qwest, Staff, CUB and TRACER jointly filed Testimony, Witness Qualification Statements and a Stipulation with Price Plan as Exhibit A (Price Plan). Although they did not sponsor the testimony, Joint CLECs, as well as the sponsoring parties, executed the Stipulation adopting the Price Plan. The terms of the Price Plan, incorporated herein by reference may be summarized as follows:

Pricing and Availability of Services

Primary Line Basic Service.

1. Price caps.

- a. Non-recurring charges are capped at pre-Plan rates.

² Order on Reconsideration, No. 06-551, entered September 26, 2006. In the same docket, our earlier Order No. 06-399, entered July 12, 2006, removed Commission oversight of ATM, Frame Relay and 800/outWATS services due to existing federal oversight.

³ See Order No. 06-652, entered November 29, 2006, explaining by way of clarification that Qwest was not obligated to make the permitted changes to its price cap program.

⁴ On February 20, 2008, OTA asked that its status be changed from being a party to that of an interested person. We grant that request as part of this Order.

- b. Recurring charges for primary line basic residential service are capped at pre-Plan rates.
 - c. Recurring charges for business primary lines are capped, starting at pre-Plan rates, but the cap will increase to \$1.00 above the pre-Plan rate on the third anniversary of the Price Plan unless approved earlier by the Commission.
 - d. Qwest can adjust recurring and non-recurring charges for primary line basic service up or down between price caps and price floors.
2. **Availability.** Primary line basic service will continue to be available on a stand-alone basis.
 3. **Petitions to Modify.** After four years, Qwest may petition the Commission to remove or adjust primary line basic service price caps for residential customers, effective in the fifth year. Qwest may file such a petition for primary line basic service price caps for business customers at any time. In either case, the burden will be on Qwest to show that such price cap removal, or adjustment in rates, is just and reasonable.⁵

Business Basic Service in Rate Group 3. Basic business primary line services--basic local exchange service; business single party flat rate local exchange service; business single party measured local exchange service, including local exchange usage; and PBX service--are excluded from the Price Plan. These prices will be governed by ORS 759.425(2)(a).⁶

Public Access Lines, Oregon Telephone Assistance Program (OTAP), Tribal Lifeline and Link-Up. Qwest will continue to offer them under regulation pursuant to federal and state requirements.⁷

Switched Access. Capped at pre-Plan rates, adjustable by Commission as required by FCC action.⁸

Extended Area Service (EAS). Capped at pre-Plan rates. No new or expanded EAS routes are allowed as long as the Price Plan is in effect.⁹

⁵ Settlement, Exhibit A, at 4-5.

⁶ *Id.* at 5.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

Toll Restriction, Call Trace (*59) and Unlisted Numbers/Directory Listings. Capped at pre-Plan rates. Qwest will continue to include directory listings in basic service.¹⁰

DS-1 Service. Rates for intrastate DS-1 will be subject to a price cap. Except for recurring rates for transport mileage elements, the initial price cap for each rate element (recurring and non-recurring) will be the average of rates charged for the particular element as of May 1, 2008, across the Qwest ILEC region. Initial price caps for each recurring transport mileage element will be 125 percent of the pre-Plan rates. Rates will increase annually at the Portland CPI rate.¹¹

Intrastate ISDN-PRI Service. Subject to price caps. The initial price cap for each rate element (recurring and non-recurring) will be the average of rates charged for the particular element as of May 1, 2008, across the Qwest ILEC region. Rates will increase annually at the Portland Consumer Price Index (CPI) rate for the corresponding time period.¹²

New Services. Priced above the applicable price floor, and increases will be subject to price caps established according to procedures specified in the Settlement Agreement.¹³

Directory Assistance and Other Retail Services. Qwest can eliminate the two-free call per month allowance and increase capped rates according to specified procedures. Rates for other services may be increased up to 50 percent per year, not to exceed 200 percent in five years.¹⁴

No further Geographic Rate Deaveraging. Qwest agrees that it will not geographically deaverage rates for any services under the Price Plan any further than they were as of January 1, 2008.¹⁵

Packaging and Bundles. Qwest can bundle any services, including primary line basic service and EAS at any price. Customers will be able to purchase any regulated service included in the bundle separately off the company's tariff or price lists. The bundle will not be less than the sum of the price floors of the regulated services or more than the sum of the tariffed and price-listed retail prices. Qwest will give the Commission and customers 30-days notice of withdrawal or price change of a bundle. Qwest will continue to advise customers when the purchase of separate services will be more or less than a bundle.¹⁶

¹⁰ *Id.*

¹¹ *Id.*, at 5-6.

¹² *Id.*, at 6.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*, at 6-7.

Notice of Price Changes. Tariffed services: a minimum of 30-days notice prior to the effective date of price increases and one-day notice of price decreases will be given to the Commission and customers. Qwest will provide a minimum one-day notice on new and other price-listed services prior to the effective date of the price change. Qwest will provide at least 30-days notice of a price change for services purchased at the time of the increase. For services purchased on a per-call basis, Qwest will provide “reasonable notice” of the price to the customer before the customer uses the service.¹⁷

Services Exempt From Regulation. Services already exempted remain subject to the conditions of the order that exempted them. Qwest can petition to exempt additional services.¹⁸

Special Contracts and Promotions. Qwest can offer primary line basic services and other regulated services under special contracts or promotions.¹⁹

Specific Qwest Commitments

Service Performance Guarantee. Within 90 days, Qwest will implement a Performance Guarantee Program that includes guaranteed appointments and commitments for specific services (reconnects on existing service after move-out/move-in or non-pay disconnect, new, additional or change of service or repair to existing service when the customer can’t make or receive a call) with a \$25 credit for each missed commitment, subject to tariff exceptions for matters outside of Qwest’s control. The guaranteed mutually agreed upon appointment date will be considered kept: (1) if the Qwest representative arrives by the agreed-upon date even if the service is completed at a later date, or (2) if Qwest cancels the appointment by the day following the date the commitment was made if it lacks the available facilities and a new appointment is made.²⁰

Network and Project Investments. Qwest will make \$4 million in incremental improvements to the network during the first three years at shareholder expense. Qwest will file the proposals and the Commission or its designee will approve the specific projects. Proposed projects include up to \$2 million for a Consumer Information Center with specific details discussed among the parties and approved by the Commission.^{21, 22}

¹⁷ *Id.*, at 7.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*, at 2-3.

²¹ *Id.*, at 3-4.

²² The parties are encouraged to convene a workshop at a mutually agreeable time to craft a proposal for the Commission’s consideration.

Service Quality Reporting. Qwest will not seek an exemption from the current reporting requirements of OAR 860-023-0055(16)(d).²³

Monitoring Qwest Performance

Five-Year Reviews. The Commission will conduct a comprehensive review of Qwest's service quality performance every five years, and Qwest will file a specific and detailed report regarding its service quality performance versus the objectives of the Performance Guarantee Program and a separate evaluation of the competitiveness of the marketplace. Section V.A.1. of the Price Plan lists the items to be contained in the report; Section V.A.2. describes the performance-to-objectives evaluation process and Section V.A.3. describes the process for a Commission review of the overall competitiveness of the marketplace and implementation of modifications to the Price Plan via regulatory activity to ensure the Price Plan remains in the public interest.²⁴

Ongoing Service Quality, Rate Increase, and Public Interest Reviews. The Commission may review Qwest's retail service quality at any time and take specified actions for failure to meet standards, including suspension of Qwest's authority to raise prices under the Price Plan or open an investigation and review pricing levels in their entirety. The Commission may open investigations at any time regarding the Price Plan and may make adjustments to the Price Plan after opportunity for hearing.²⁵ A party bringing a complaint will have the burden to show that the market has not produced a just and reasonable rate for the service in question, and the Commission will consider specific factors in reaching its conclusion. If the Commission sustains the Complaint, it may adjust the price cap for the service to ensure a just and reasonable rate, subject to a review of the service's prior rate history.²⁶ The Commission may also order a public interest review hearing at any time with respect to the Price Plan and may suspend Qwest's authority to increase prices pending the conclusion of the proceeding. The Price Plan also specifies parties' rights and obligations in the event the Commission orders termination of the Price Plan.²⁷

Waiver of Statutes and Rules. The Price Plan enumerates the statutes and rules affected by adoption of the Price Plan and the extent to which such statutes and rules will need to be waived in order for the Price Plan to be implemented.²⁸

²³ *Id.*, at 4.

²⁴ *Id.*, at 9-10.

²⁵ *Id.*, at 10.

²⁶ *Id.*, at 11.

²⁷ *Id.*, at 11-12.

²⁸ *Id.*, at 7-9.

DISCUSSION

The terms of the Stipulation constitute a significant change from the plan originally submitted by Qwest. Unlike the original Qwest plan, which completely deregulated some services, under the terms of the Stipulation, every service under the Price Plan is subject to a price or rate increase cap, and these services remain subject to the Commission's service quality standards and price increases subject to Commission Review.²⁹

The Price Plan adopted by the Settlement Agreement reflected the resolution of concerns held by all of the parties. For example, DS-1 and ISDN-PRI services are treated differently from other advanced services for business customers because TRACER thought these services were among the most important to its constituent members and other similarly situated businesses and questioned whether there was sufficient competition in the market for those services to ensure that prices would remain "just and reasonable" if Qwest had the same pricing flexibility for those services as for other business services. TRACER proposed, and the other parties agreed, that tighter price caps would be in the public interest.³⁰ Similarly, it was agreed that free directory listings and a cap at the current rate for pricing unlisted numbers served the privacy and safety concerns of many Qwest residential customers.³¹ Customers are also benefitted by the restrictions that the Price Plan imposed upon Qwest with respect to packaging and bundling services, by the implementation of a service performance guarantee program and by the establishment of an independent consumer information center.³²

We also note with approval the provisions for timely and effective Commission review and oversight of Qwest's performance under the Price Plan. These provisions will enable the Commission to measure Qwest's performance to Price Plan objectives, maintain excellent service quality, review rate increases and ensure the Price Plan continues to be in the public interest. The Price Plan also provides the Commission with the ability to take prompt corrective action where such action is necessary to protect the public interest.

Two years ago, when Qwest sought to deregulate certain business services in docket UX 29, as noted above, we found that, based upon the data then available to us, competitive forces were not sufficient to constrain prices for most services on a statewide basis. The elements of the Price Plan now before us, supported by the data on constraining competition supplied by the Joint Testimony,³³ is convincing evidence that the proposed prices contained in the Price Plan, as well as the Price Plan itself, are just and reasonable

²⁹ UM 1354/Joint/100/13-14. Qwest, Staff, CUB and TRACER submitted joint testimony, UM 1354/Joint/100 in support of the Stipulation and Price Plan.

³⁰ *Id.*, at 15-16.

³¹ *Id.*, at 16.

³² *Id.*, at 16-17.

³³ *Id.*, at 23-32, 57-66.

and that our decision in docket UX 29 should not bear upon our consideration of the Stipulation and the Price Plan.

Finally, we note that implementation of the Price Plan will require waiver, in whole or in part, of requirements set forth in several state statutes and Commission rules relating to the regulation of telecommunications in Oregon.³⁴ Pursuant to ORS 759.255(5), we find that waiver of these requirements provides for continuation and, in some cases, a logical extension of the manner in which Qwest has operated since 2000 under ORS 759.405 to 759.410 and would permit a level of regulatory oversight consistent with non-earnings based regulation. Waiver of these statutes and rules is necessary to implement the Price Plan and, at the same time, balances the need for regulation with competition and simplifies regulation.³⁵

We firmly believe that the provisions of the Stipulation approved in this Order provide a progressive regulatory framework for all incumbent local exchange carriers in an increasingly competitive environment.

³⁴ *Id.*, at 42-47.

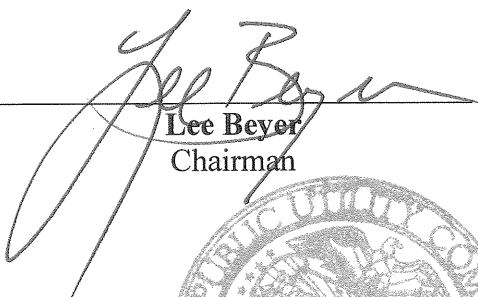
³⁵ *See* ORS 759.255(2)(c)(d).

ORDER

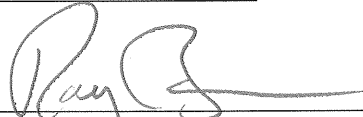
IT IS ORDERED that:

1. The Stipulation among Qwest Corporation; the Staff of the Public Utility Commission of Oregon; the Citizens' Utility Board; the Telecommunications Ratepayers Association for Cost-Based and Equitable Rates; XO Communications Services, Inc.; Time Warner Telecom of Oregon LLC; Covad Communications Company; Integra Telecom of Oregon, Inc.; and McLeodUSA Telecommunications Services, Inc., affixed to this Order as Appendix A, is APPROVED.
2. Qwest's Price Plan under ORS 759.255, affixed to the Stipulation as Exhibit A, is ADOPTED.
3. To the extent necessary to implement Qwest's Price Plan under ORS 759.255, ORS 759.120, 759.125, 759.130, 759.135, 759.180 to 759.205, 759.215, 759.220, 795.285 and 795.300 to 759.393 are WAIVED.
4. To the extent necessary to implement Qwest's Price Plan under ORS 759.255, OARs 860-023-0055(15)(a), 860-027-0015, 860-027-0050, 860-027-0052, 860-027-0070 and 860-032-0190 are WAIVED.

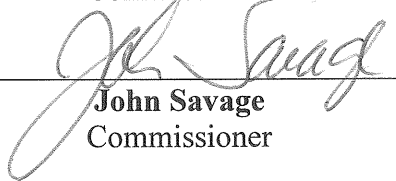
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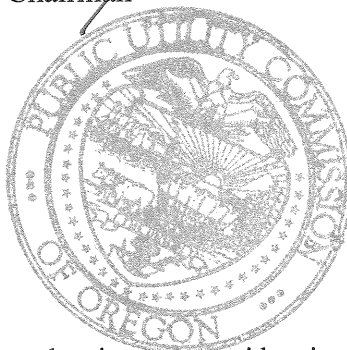
Lee Beyer
 Chairman



Ray Baum
 Commissioner



John Savage
 Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1354

In the Matter of
QWEST CORPORATION
Petition for Approval of Price Plan
Pursuant to ORS 759.255

STIPULATION

This Stipulation is entered into for the purpose of resolving all issues in this proceeding by and among the parties as set forth below.

PARTIES

1. The parties to this Stipulation (the "Stipulation") are Qwest Corporation ("Qwest"), Staff of the Public Utility Commission of Oregon ("Staff"), Citizens' Utilities Board ("CUB"), the Telecommunications Ratepayers Association for Cost-based and Equitable Rates ("TRACER"),¹ XO Communications Services, Inc. ("XO"), Time Warner Telecom of Oregon LLC ("TWT"), Covad Communications Company ("Covad"), Integra Telecom of Oregon, Inc. ("Integra"), and McLeodUSA Telecommunications Services, Inc. ("McLeod") (XO, TWT, Covad, Integra, and McLeod are collectively referred to as the "Joint CLECs") (together, the "Parties" and individually, a "Party"). Qwest, Staff, CUB, and TRACER are collectively referred to as the "Stipulation Parties." This Stipulation will be made available to other parties to this docket, who may participate by signing and filing a copy of this Stipulation.

2. The Stipulation Parties agree that approval of the price plan attached hereto as Exhibit A (the "Price Plan") and this Stipulation is in the public interest, and that the Public

¹ TRACER enters this Stipulation on behalf of its members only. TRACER expresses no opinion as to the treatment in the Price Plan of services other than those subscribed to by its members.

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222



1 Utility Commission of Oregon (the "Commission") should issue an order approving Qwest's
2 petition for a price plan, this Stipulation, and the Price Plan.

3 **BACKGROUND**

4 3. On October 26, 2007, Qwest filed its Petition for Approval of Price Plan Pursuant
5 to ORS 759.255. The Commission opened this docket to consider Qwest's petition. CUB
6 intervened in this docket and the Commission granted TRACER, the Joint CLECs, and Verizon
7 Northwest Inc. ("Verizon") permission to intervene as parties in this docket. The Commission
8 held a pre-hearing conference on December 14, 2007, and established a schedule for this
9 proceeding.

10 4. On January 10, 2008, CUB, TRACER, and the Joint CLECs filed a motion to
11 dismiss Qwest's petition. Following further briefing on that motion, on February 28, 2008, the
12 Commission issued Order No. 08-132 denying the motion to dismiss.

13 5. On February 11, 2008, Qwest filed an amended petition along with direct
14 testimony and exhibits in support thereof.

15 6. Staff, CUB, TRACER, and the Joint CLECS have reviewed Qwest's petition and
16 amended petition, the pre-filed testimony and exhibits of Qwest, Qwest's responses to the
17 extensive discovery requests submitted in this proceeding, and additional information provided
18 by Qwest.

19 7. On January 11, 2008, the Commission held a workshop/settlement conference.
20 The Commission held further settlement conferences, both in person and via teleconference, on
21 March 19, 2008, April 25, 2008, April 29, 2008, May 2, 2008, and May 7, 2008. The settlement
22 conferences have been open to all parties to this docket.

23 8. The term "Petition" as used in this Stipulation shall be deemed to refer to Qwest's
24 petition for approval of the Price Plan in the form attached hereto as Exhibit A.
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AGREEMENT

9. Exhibit A sets forth the terms and conditions of the Price Plan which the Stipulation Parties agree the Commission should approve. By virtue of executing this Stipulation, Qwest agrees to abide by and perform all terms of this Stipulation and the Price Plan. The Price Plan contains agreements of the Parties that are additional to those set forth in this Stipulation (the term "Parties" in the Price Plan has the same meaning as in this Stipulation). By virtue of executing this Stipulation, the Parties agree to abide by and perform all agreements set forth in this Stipulation as well as those set forth in the Price Plan as if they were set forth in this Stipulation.

10. Neither the terms and conditions of the Price Plan nor the Commission's approval thereof limits the rights of Competitive Local Exchange Carriers ("CLECs") to raise any issues regarding the rates, terms, and conditions for wholesale products and services, including but not limited to wholesale products or services made available to CLECs pursuant to tariffs, price lists, or catalogues that are also made available to retail customers and that are otherwise subject to the terms and conditions of this Price Plan.

11. The Parties agree that the Price Plan will be effective immediately following (1) the Commission's approval of the Petition, this Stipulation, and the Price Plan, and (2) the provision of notice as described in this paragraph. Subject to the terms of paragraph 15 of this Stipulation, upon entry of a Commission order approving the Petition, this Stipulation, and the Price Plan, Qwest will provide written notice to the Commission which (1) accepts the Commission's order and indicates Qwest's intention to commence operation under the Price Plan and (2) indicates Qwest's election to no longer be subject to ORS 759.405 to 759.410.

12. The Stipulation Parties acknowledge that the terms of this Stipulation and the Price Plan satisfy the "public interest" standard set forth in ORS 759.255 for approval of the Price Plan.

1 13. The Stipulation Parties agree to support Commission approval of the Petition, this
2 Stipulation, and the Price Plan. The Joint CLECs agree not to oppose Commission approval of
3 the Petition and the Price Plan. This Stipulation will be offered into the record of this proceeding
4 as evidence pursuant to OAR 860-014-0085. The Stipulation Parties agree to support this Stip-
5 ulation throughout this proceeding and any appeal, provide either witnesses to sponsor testimony
6 or legal representatives to support this Stipulation. The Stipulation Parties will recommend the
7 Commission issue an order adopting the agreements contained herein and approving Qwest's
8 Petition, this Stipulation, and the Price Plan. If any other party to this proceeding challenges this
9 Stipulation, the Stipulation Parties agree to cooperate in cross-examination and put on such a
10 case as they deem appropriate to respond fully to the issues presented, which may include
11 addressing issues incorporated in the settlements embodied in this Stipulation.

12 14. The Stipulation Parties will encourage the Commission to enter an order
13 approving Qwest's Petition, the Stipulation, and the Price Plan as soon as possible and not later
14 than July 31, 2008.

15 15. The Parties have negotiated this Stipulation as an integrated document. If the
16 Commission rejects all or any material part of this Stipulation or the Price Plan or imposes
17 additional material conditions in approving the Stipulation and the Price Plan, any Party
18 disadvantaged by such action shall have the right, upon written notice to the Commission and all
19 other Parties within 15 business days of the Commission's order, to withdraw from this
20 Stipulation, pursue their rights under OAR 860-014-0085, and/or seek reconsideration or appeal
21 of the Commission's order. However, prior to withdrawal, the Party shall engage in good faith
22 negotiation with the other Parties. No Party withdrawing from this Stipulation shall be bound to
23 any position, commitment, or condition of this Stipulation.

24 16. The Parties agree that this Stipulation represents compromises in the positions of
25 the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this
26 Stipulation shall not be admissible as evidence in this or any other proceeding. By entering into

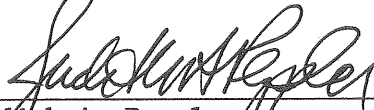
1 this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts,
2 principles, methods, or theories employed by any other Party in arriving at the terms of this
3 Stipulation, other than those specifically identified in the body of this Stipulation. No Party shall
4 be deemed to have agreed that any provision of this Stipulation is appropriate for resolving
5 issues in any other proceeding, except as expressly identified in the Stipulation.

6 17. The effective date of this Stipulation as to each Party shall be the date of that
7 Party's signature to the Stipulation.

8 18. This Stipulation may be executed in counterparts and each signed counterpart
9 shall constitute an original document.

10 This Stipulation is entered into by each Party as of the date(s) entered below:

11 QWEST CORPORATION



12
13 By: Judith A. Pepler
14 Its: Oregon President
15 Dated: 5/16/08

16 STAFF OF THE PUBLIC UTILITY
17 COMMISSION OF OREGON

18
19 By:
20 Its:
21 Dated:

22 CITIZENS' UTILITY BOARD

23
24 By:
25 Its:
26 Dated:

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2 principles, methods, or theories employed by any other Party in arriving at the terms of this
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10 This Stipulation is entered into by each Party as of the date(s) entered below:

11 QWEST CORPORATION

12
13 _____
14 By:
15 Its:
16 Dated:

17 STAFF OF THE PUBLIC UTILITY
18 COMMISSION OF OREGON

19 *Mike Weirich*
20 _____
21 By: Mike Weirich
22 Its: Attorney
23 Dated: 5/16/08

24 CITIZENS' UTILITY BOARD

25 _____
26 By:
Its:
Dated:

1 this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts,
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11 QWEST CORPORATION

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13 _____
14 By:
15 Its:
16 Dated:

17 STAFF OF THE PUBLIC UTILITY
18 COMMISSION OF OREGON

19 _____
20 By:
21 Its:
22 Dated:

23 CITIZENS' UTILITY BOARD

24 *Bob Vents*
25 _____
26 By: *Bob Vents*
Its: *Executive Director*
Dated: *5-19-08*

TELECOMMUNICATIONS
RATEPAYERS ASSOCIATION FOR
COST-BASED AND EQUITABLE RATES



By: Arthur A. Butler
Its: Attorney
Dated: May 16, 2008

JOINT CLECs


By:
Its:
Dated:

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TELECOMMUNICATIONS
RATEPAYERS ASSOCIATION FOR
COST-BASED AND EQUITABLE RATES

By:
Its:
Dated:

JOINT CLECs



By: Mark P. Trincherro
Its: Attorney
Dated: May 19, 2008

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QWEST'S PRICE PLAN UNDER ORS 759.255**I. Definitions**

- A. "Alternative provider" means a provider, other than Qwest Corporation ("Qwest") or any affiliate of Qwest, of any service that is a functionally equivalent or substitutable service, without regard to the technology used to provide the service and without regard to whether the provider is subject to regulation by the Commission or any other agency. "Alternative provider" includes but is not limited to telecommunications carriers, radio common carriers, cable telephony providers, and providers of voice over internet protocol ("VoIP") service.
- B. "Essential functions" means those unbundled network elements (UNEs) that ILECs are required to provide pursuant to 47 U.S.C. § 251(c)(3) according to the most current requirements of the FCC. "Nonessential functions" are all other functions used in providing a telecommunications service that are not essential functions. The price of essential functions is the Commission-approved price for UNE purchases by wholesale customers; the price for UNEs without Commission-approved prices is the rate in Qwest's most current Negotiations Template Agreement for Oregon, Exhibit A, which is available at <http://www.qwest.com/wholesale/clecs/sgatswireline.html>.
- C. "Functionally equivalent or substitutable" means that a service is reasonably interchangeable with the service to which it is being compared, even if the services are not identical, without regard to the technology used to provide the service or whether the service or provider are subject to regulation by the Commission.
- D. "New service" means a retail telecommunications service that is offered in Oregon for the first time following the effective date of this price plan. A service is not a new service if it merely renames, repackages, or is a variation of an existing service, or if it is reintroduced in substantially the same form after having being withdrawn or abandoned.
- E. "Portland CPI" means the Consumer Price Index as published by the Bureau of Labor Statistics of the United States Department of Labor for the Portland, Oregon, area, specifically known as "Series Title: CPI - U: Portland-Salem, OR-WA; All items; 1982-84=100; NSA" and currently found at <http://www.bls.gov>.
- F. "Pre-plan rates" means the rates charged by Qwest in Oregon pursuant to its tariffs or price lists that were effective on January 1, 2008, or Qwest's original introductory price for any new service introduced after January 1, 2008, but before the effective date of this price plan.
- G. "Primary line basic service" means the first line only of basic local exchange service for an individual residential or business customer account at a single location that is not sold as part of a package. For purposes of this definition, "basic local exchange service" means residential single party flat rate local

exchange service; residential single party measured local exchange service, including local exchange usage; business single party flat rate local exchange service in Rate Groups 1 and 2 (the classification of Qwest exchanges by Rate Group is set forth in Qwest's P.U.C. Oregon No. 33 Exchange and Network Services tariff, Section 5.1.2); and business single party measured local exchange service, including local exchange usage in Rate Groups 1 and 2.

II. Objectives of Price Plan

A. General objectives. Qwest's price plan will achieve the following objectives:

1. Ensure the plan is operating in a way that is in the public interest.
2. Produce prices for Qwest's retail telecommunications services that are just and reasonable.
3. Ensure that the quality of existing telecommunications services will stay at or above current high levels. Qwest will meet or exceed the Commission's applicable retail service standards and will continue its current reporting practices.
4. Maintain the availability of primary line basic service at affordable rates.
5. Allow Qwest to price other services competitively with services offered by alternative providers, including those using landline, wireless, cable, and VoIP technologies.
6. Increase Qwest's pricing flexibility to meet changing market conditions.
7. Make new telecommunications services available.
8. Simplify and reduce the burden of regulation for both Qwest and the Commission.

B. Specific commitments.

1. **Service performance guarantee.** Within 90 days of the effective date of the price plan, Qwest will implement a service performance guarantee program which includes guaranteed appointments and guaranteed commitments for specific types of services, which will be backed by a promise to credit customers \$25.00 for each missed commitment. The commitments and credits will be subject in the tariff to reasonable and customary exceptions for matters which are outside of Qwest's reasonable control, including without limitation rescheduling and unavailability of the customer, severe weather, severe public disturbances, and labor difficulties (e.g., strikes, slowdowns, picketing, and boycotts).

- a. Service Types. Qwest will offer guaranteed appointments and guaranteed commitments for the following types of services:
- (i) Reconnect an existing service following move-out/move-in or disconnection for non-payment.
 - (ii) Connect a new or additional service or change an existing service.
 - (iii) Repair existing service when a customer is unable to receive and/or place a telephone call.
- b. Guaranteed appointment. A guaranteed appointment is a mutually agreed upon appointment for a given day between a customer and Qwest for a service to be provided which requires the customer to be present. A guaranteed appointment is considered kept if: 1) the Qwest representative arrives by the agreed upon date even if the service is completed at a later date, or 2) Qwest notifies the customer the day following the day the order was placed that it will be unable to meet the due date because of a lack of available facilities and a new appointment must be made.
- c. Guaranteed commitment. A guaranteed commitment is a mutually agreed upon commitment between a customer and Qwest to provide service on or before a specific date when the service to be provided does not require that the customer be present.
2. **Network and other project investments.** Qwest will make incremental investments of \$4 million in network improvements and other projects as a shareholder expense. Specific projects will be agreed to by Qwest and the Commission or its designee. These investments will be made during the first three years of the price plan, unless otherwise provided in the plan or directed by the Commission. Qwest will file its proposed investment plan with the Commission prior to expending any of these funds.
- a. **Consumer information center.** One of the projects will be the establishment and operation of a consumer information center which will provide information to Oregon consumers to assist with understanding the nature and pricing of service offerings by telecommunications carriers and alternative providers. Of the total network investment, Qwest will commit up to a total of \$2 million towards this project. Establishment and operation of this center will be overseen by the Commission and the specific details – such as the actual amount of the investment, the timing of the investment (which may be made over the first five years of operation under the price plan), the scope of operations, the identity of the operator, and the operating budget – will be

discussed among the Parties and established by the Commission following approval of plan.

3. **Service quality reporting.** Qwest will not seek an exemption from its current service quality reporting requirements pursuant to OAR 860-023-0055(16)(d).

III. Pricing and Availability of Services Under Price Plan

- A. **Initial Rates.** The rates that Qwest charges upon commencing operation under the price plan will be its pre-plan rates. These rates are subject to adjustment as provided below.
- B. **Primary line basic service.**
 1. **Price caps.**
 - a. Non-recurring charges. Non-recurring charges for primary line basic services are capped at pre-plan rates.
 - b. Recurring charges for residential service. Primary line basic service for residential customers will be subject to price caps. The initial price cap will be pre-plan rates.
 - c. Recurring charges for business service. Primary line basic service for business customers will be subject to price caps. The initial price cap will be pre-plan rates. Without the need for Qwest to file a petition or otherwise seek Commission approval, the price cap will increase to \$1.00 above pre-plan rates on the third anniversary of the effective date of the plan, unless the Commission has already increased the price cap by at least \$1.00 before the third anniversary based on a petition by Qwest under Section III.B.3. of the price plan.
 - d. Adjustment of prices. Qwest is permitted to adjust recurring and non-recurring charges for primary line basic service upward or downward between the price caps and the applicable price floors for primary line basic service.
 2. Availability. Qwest will continue to offer primary line basic service on a stand-alone basis (*i.e.*, Qwest will not require customers to purchase a package to obtain these services).
 3. Petition to remove or adjust price caps. Qwest may petition the Commission to remove or adjust the price caps for primary line basic service. Qwest will have the burden to show that removal or adjustment of the price caps for primary line basic service will result in rates that are just and reasonable, considering the factors set forth in Section V.B.2.b. of

this plan. The Commission may also consider whether removal or adjustment of the price caps is in the public interest, considering the factors set forth in ORS 759.255(2). Qwest may not file any such petition with respect to primary line basic service for residential customers until after the fourth anniversary of the effective date of the price plan and no increase, if granted by the Commission, would be effective until after the fifth anniversary of the effective date of the price plan. Qwest may file such a petition with respect to primary line basic service for business customers at any time.

- C. Business Basic Services in Rate Group 3.** Certain basic business services in Rate Group 3, including primary line basic local exchange service, will not be included in the plan. These include business single party flat rate local exchange service, business single party measured local exchange service, including local exchange usage, and private branch exchange (PBX) service. The prices for these services will continue to be established by the Commission pursuant to ORS 759.425(2)(a).
- D. Telephone Assistance Plans.** Qwest will continue to offer current Telephone Assistance Plans (OTAP, Tribal Lifeline, and Link-Up) pursuant to state and federal requirements.
- E. Public Access Lines.** The rates for public access line (PAL) service will continue to be regulated by the Commission pursuant to federal requirements.
- F. Switched Access.** Rates for intrastate switched access services are capped at pre-plan rates. The Commission may adjust the price caps if required by FCC action.
- G. EAS.** Rates for extended area service (EAS) are capped at pre-plan rates. Qwest will not be required to establish any new or expanded EAS routes as long as it operates under the price plan.
- H. Toll Restriction.** Rates for toll restriction service are capped at pre-plan rates.
- I. Call Trace (*59).** Rates for call trace services (*i.e.*, *59) are capped at pre-plan rates.
- J. Unlisted Numbers/Directory Listings.** Rates for unlisted numbers are capped at pre-plan rates. Qwest will continue to include directory listings with basic service.
- K. DS-1 Service.** Rates for intrastate DS-1 service will be subject to a price cap. With the exception of the recurring rates for the transport mileage elements, the initial price cap for each rate element for both recurring and non-recurring charges will be the average of the rates charged for that rate element as of May 1, 2008 in the 13 other states in Qwest's ILEC region. The initial price cap for each recurring transport mileage element will be 125 percent of pre-plan rates. The

price cap will increase annually by the amount of increase in the Portland CPI for the corresponding time period.

- L. ISDN-PRI Service.** Rates for intrastate ISDN-PRI service will be subject to a price cap. The initial price cap for each rate element for both recurring and non-recurring charges will be the average of the rates charged for that rate element as of May 1, 2008 in the 13 other states in Qwest's ILEC region. The price cap will increase annually by the amount of increase in the Portland CPI for the corresponding time period.
- M. New Services.** Rates for all new services will be priced above the applicable price floor. Subsequent price increases will be subject to the price cap as established in Section III.N.1.
- N. Other Retail Services.** Each rate for all remaining residential and business services not previously listed in this section ("Other Services") is subject to a price cap as follows:
1. Qwest may increase the rate for each service up to 50 percent annually. However, the cumulative rate increase over any rolling five-year period is not to exceed 200 percent.
 2. For directory assistance, Qwest is allowed to remove the monthly two free-call allowance as well as increase rates pursuant to the price cap defined in Section III.N.(1) of this plan.

Qwest may increase or decrease such rates, subject only to the price cap set forth above and a price floor equal to the total service long run incremental cost for nonessential functions of providing the service and the charges for essential functions used in providing the service.

- O. No Further Deaveraging.** Qwest agrees that it will not geographically de-average the rate for any services under the plan any further than they were as of January 1, 2008.
- P. Packages and Bundles.** Qwest may combine any regulated telecommunications service with any other service(s) to offer packages and bundles of services, which may include primary line basic service and EAS, at any price, subject to the following conditions:
1. Customers can purchase separately from the company's tariff or price list any regulated telecommunications service included in the package or bundle.
 2. The package or bundle price is not less than the sum of the price floors (determined pursuant to ORS 759.255(4)) of the regulated telecommunications services included the package or bundle.

3. The package or bundle price is not more than the sum of the retail prices of all services available in the package or bundle.
4. Qwest will provide notice to the Commission of any change in price or withdrawal of a package or bundle within 30 days after the effective date of the change.
5. Qwest's procedure is and will continue to be to advise customers when the price for the specific services they select from those available in a package or bundle would be lower if the services were purchased separately and not in a package or bundle.

Q. Notice of price changes. Qwest will provide the Commission notice of price increases for services within Sections III.B. to III.L. by making tariff filings at least 30 days prior to the effective date of such price changes. Qwest will provide the Commission notice of price decreases for services within Sections III.B. to III.L. by making tariff filings at least one day prior to the effective date of such price decreases. Qwest will make price list filings for new services and Other Services within Sections III.M. and III.N. at least one day prior to the effective date of any price change. Qwest will also provide customers with at least 30 days' prior notice of price increases for services they are purchasing at the time of the price increase. For services purchased on a per-call basis, Qwest will give reasonable notice to the customer of the price prior to the customer's use of the service.

R. Services exempt from regulation. Services that the Commission has already ordered to be exempt from regulation will remain exempt from regulation subject to the conditions of the order that exempted the service from regulation. Qwest retains the ability to petition the Commission to exempt additional services from regulation under ORS 759.052.

S. Special contracts. Qwest may offer primary line basic service and other regulated services under special contracts pursuant to ORS 759.250.

T. Promotions. Qwest may offer promotions for primary line basic service and other regulated services pursuant to ORS 759.182.

IV. Waiver of statutes and rules

A. Statutes. Qwest's compliance with the following statutes, and all Commission rules implementing these statutes, is waived in full, unless a partial waiver is noted:

- ORS 759.120 (partial, to the extent allowed in Commission Order No. 06-514)
- ORS 759.125 (partial, to the extent allowed in Commission Order No. 06-514)

- ORS 759.130 (partial, to the extent allowed in correspondence between Qwest and the Commission from May 4, 2004 through December 21, 2004; *see* copies attached as Attachment A). In addition, Qwest will include the following detailed information in the Annual Report Form O, Schedule Ob-1, Oregon Rate Base: Plant Additions in Column (d), Plant Retirements in Column (e), and Transfers and Adjustments in Column (f); with the Commission's approval, Qwest may present this information in a different format.
- ORS 759.135 (partial, to the extent allowed in Commission Order No. 06-514)
- ORS 759.180 to ORS 759.200 (with the exception of ORS 759.182)
- ORS 759.215(2)
- ORS 759.220 with regard to joint rates and establishment of new through services, but not with regard to canceling any existing through service.
- ORS 759.285
- ORS 759.300 to ORS 759.393

B. Rules. Qwest's compliance with the following Commission rules is waived in full, unless a partial waiver is noted:

- OAR 860-023-0055(15)(a)
- OAR 860-027-0015 (partial, to the extent agreed to between Qwest and Commission Staff in an October 7, 2004 letter and a November 7, 2004 meeting; *see* copies attached as Attachment A).
- OAR 860-027-0050 (partial, to the extent allowed in Commission Order No. 06-514)
- OAR 860-027-0052
- OAR 860-027-0070 (partial, to the extent allowed in correspondence between Qwest and the Commission from May 4, 2004 through December 21, 2004; *see* copies attached as Attachment A). In addition, Qwest will include the following detailed information in the Annual Report Form O, Schedule Ob-1, Oregon Rate Base: Plant Additions in Column (d), Plant Retirements in Column (e), and Transfers and Adjustments in Column (f); with the Commission's approval, Qwest may present this information in a different format.
- OAR 860-032-0190 (partial). This rule defines "basic telephone service" for purposes of administering ORS 759.425, among other statutes. Qwest seeks a

partial waiver of this rule so that the Commission will establish the rates for only certain basic business services in Rate Group 3 (identified in Section III. C. above), which services are not included in the plan. Pursuant to this partial waiver, only the services listed in OAR 860-032-0190(3)(b), (d), (e), and (f) and provided in Rate Group 3 would be considered "basic telephone service" for purposes of applying ORS 759.425(2)(a). For all other purposes involving application of the rule, including administration and distribution of the universal service fund, Qwest would still be subject to the definition of "basic telephone service" found in OAR 860-032-0190.

V. Conditions for Review of Qwest's Performance Under Plan

A. **Five-year reviews.** Qwest's performance under the price plan will be comprehensively reviewed by the Commission every five years. To commence that review, Qwest will file a detailed report regarding its performance as compared to the objectives of the plan by the 90th day of the fifth year of operation under the plan, and every five years thereafter unless and until ordered otherwise by the Commission. Qwest will promptly respond to data requests submitted by Staff and other parties related to information contained in Qwest's report.

1. **Contents of Report.** The report will review how the objectives of the plan are being met and will include the following information:
 - a. A summary of Qwest's performance for the review period with respect to the Commission's retail service quality standards and any other relevant information.
 - b. An analysis of current market conditions for the various categories of Qwest's regulated retail telecommunications services and functionally equivalent or substitutable services, to the extent such information is publicly available.
 - c. Data regarding the gain or loss of access lines, organized by Qwest Oregon wire center.
 - d. A discussion of how the pricing flexibility allows Qwest to meet the plan's objectives.
 - e. A detailed description of Qwest's network investments and other project investments as committed to in the plan.
 - f. Identification of any new services Qwest has introduced.
 - g. Identification of any ways in which the burden of regulation for both Qwest and the Commission has been simplified or reduced.

2. **Performance of objectives.** The Commission will evaluate Qwest's performance as compared to the objectives of the plan. If the Commission determines that Qwest has not substantially satisfied its objectives, as set forth in Section II of this plan, the Commission may enter discussions with Qwest to establish an agreement, including a timeline and a process, under which Qwest will achieve compliance with the objectives. If the Commission and Qwest cannot reach such an agreement within a reasonable time of commencing such discussions the Commission may order modifications to the plan, following notice and an opportunity for hearing, or open an investigation under Section V.B.3. of this plan.
3. **Evaluation of market, modifications to plan.** The Commission will review the data submitted by Qwest and other relevant evidence regarding the competitiveness of the market for services that are functionally equivalent or substitutable for services offered by Qwest and determine whether other modifications to the plan are appropriate to provide Qwest with additional regulatory flexibility beyond that included in the original price plan or better ensure the plan is in the public interest according to the factors set forth in ORS 759.255(2).

B. Ongoing conditions for review

1. **Review of service quality.** The Commission may review Qwest's retail customer service quality at any time during operation of the price plan. If Qwest does not meet the objective service levels for one or more individual standards in OAR 860-023-0055 for three months out of a twelve month sliding window,¹ then the Commission may require Qwest to submit a performance plan pursuant to ORS 759.450(5) and may suspend Qwest's authority under the price plan to increase retail prices until such time as Qwest has met all the goals of the performance plan. If the Commission determines after a notice and an opportunity for hearing that Qwest has not met the goals of a performance plan within six months, or if the plan is disapproved by the Commission, then, in addition to the remedies set forth in ORS 759.450(5) – (7), the Commission may open an investigation under Section V.B.3. of this plan.
2. **Review of rate increases.**
 - a. **Procedure for review.** The Commission may investigate Qwest's rate for any of the Other Services upon receiving a complaint filed by any affected person, or by the Commission on its own motion, at any time. The Commission shall follow its ordinary hearing procedures.

¹ Sliding 12-month window: The 12-month window consists of the current reporting month and data from the previous eleven months. For example, using "commitments for service" with an objective service level of 90 percent (OAR 860-023-0055(4)(b)(A)), a performance plan may be required if three or more months during the 12-month window were reported with less than 90 percent commitments met. Each new month would look at the adjusted 12-month window and the data would be compared to the objective service level.

b. Standard for review. The party(ies) bringing the complaint will have the burden to show that the market has not produced a just and reasonable rate for that service. In making this determination, the Commission will also consider:

- (i) Whether a retail telecommunications service or a functionally equivalent or substitutable service is available from one or more telecommunications carriers or alternative providers in the relevant market;
- (ii) The prices, terms, and conditions for functionally equivalent or substitutable services that are available from one or more telecommunications carriers or alternative providers; and
- (iii) Such other factors as determined by the Commission.

c. Remedy. If the Commission sustains such a complaint, the Commission may adjust the price cap for the specific service to ensure that the rate is just and reasonable. The Parties agree that the Commission should first consider a price cap which is no lower than the rate that was in effect before the most recent price change for that service (the "Prior Rate") if the Prior Rate was in effect for at least six months. If the Prior Rate was not in effect for at least six months, the Parties agree that the Commission should then consider a price cap which is no lower than the rate that was in effect immediately before the Prior Rate. The Parties further agree that the Commission may order a different price cap, and the Parties will not advocate for a price cap that is lower than the pre-plan rate. Unless the Commission orders otherwise, if the service was originally subject to Section III(N) "Other Retail Services," then the new price cap will continue to be subject to those price increase restrictions.

3. Public interest.

a. The Commission may open an investigation at any time pursuant to ORS 756.515 to determine whether further adjustments to the price plan or termination of the price plan is required by the public interest, according to the factors set forth in ORS 759.255(2). The Commission may order further adjustments to the price plan or termination of the price plan only after providing Qwest notice and an opportunity for hearing. If the Commission determines to hold such a hearing, it may suspend Qwest's authority to increase prices pending the conclusion of the proceeding. In any such investigation and proceeding, the Parties agree that the Commission should first attempt to identify and require adjustments to the price plan such that continuation of the price plan is in the public interest before it orders termination of the price plan

(unless this proceeding was opened pursuant to Section V.A.2. of the plan).

b. If the Commission orders termination of the price plan, the Parties agree the Commission may also, in the same proceeding, adjust Qwest's rates to ensure that Qwest's rates are just and reasonable, and the Parties agree not to advocate for rates that are lower than pre-plan rates. Qwest would no longer be able increase its rates as it was permitted to do under the price plan, but Qwest would be allowed to decrease its rates subject to any applicable price floor.

c. If the Commission orders termination of the price plan, Qwest may thereafter pursue any form of price regulation or relief therefrom then permitted under Oregon law, including but not limited to: exemptions from regulation pursuant to ORS 759.052; price listing pursuant to ORS 759.054, 759.056, and/or 759.195; rate regulation pursuant to ORS 759.175 – 759.190; another price plan pursuant to ORS 759.255; or price cap regulation pursuant to ORS 759.405 – 759.410.

d. If the Commission orders termination of the price plan, the Commission may thereafter commence a proceeding to set Qwest's rates pursuant to ORS 759.175 – 759.190, and Qwest will not object on the ground that it is not subject to earnings-based or rate-of-return regulation because of either its 1999 election of price cap regulation pursuant to ORS 759.405 – 759.410 or the Commission's approval of this price plan pursuant to ORS 759.255. The Parties agree that the Commission should not commence any such proceeding within 120 days of the effective date of termination of the plan in order to provide Qwest the opportunity to first pursue an alternative option as set forth in Section V.B.3.c. of this plan. Qwest agrees to maintain records sufficient to create a Form O and Form I, and associated detail, and to maintain other data sufficient for use in a general rate case.

e. The Parties agree that if the Commission orders termination of the price plan, the Commission should further order that Sections V.B.3.b., V.B.3.c., and V.B.3.d. of the plan are severable from the rest of the price plan and will remain in effect after the price plan's termination.



Oregon

Theodore R. Kulongoski, Governor

ORDER NO. 08-408

Public Utility Commission

550 Capitol Street NE, Suite 215

Mailing Address: PO Box 2148

Salem, OR 97308-2148

Consumer Services

1-800-522-2404

Local: 503-378-6600

Administrative Services

503-373-7394

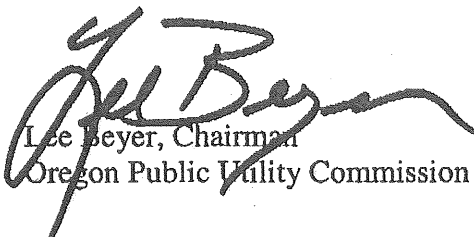
May 4, 2004

Judy Pepler
Qwest
421 SW Oak St., Ste 8S3
Portland, OR 97204

Dear Judy:

I'm following up on our discussion at the Regional Oversight Committee meeting in Denver. As you recall, Dick Notabaert mentioned that one of the problems being faced by Qwest was production of reports that had limited value to either regulators or the company. I thought about that, and would like to think that was not the case in Oregon. However, if it is, we should address the problem.

I've discussed this with Phil Nyegaard and asked that he contact you and discuss how we should approach reviewing the current reporting system. If there is a better way to do things, we should do it. If we are collecting useless information, we should stop. I hope we can work together to make sure that the regulatory information necessary for us to do our job can be gathered in the most efficient and least costly manner.



Lee Beyer, Chairman
Oregon Public Utility Commission

cc: Commissioners Savage & Baum
Phil Nyegaard, Manager, Telecom Division
Lee Sparling, Utility Director



ORDER NO. 08-408

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Judy Peppler
President - Oregon



May 21, 2004

Lee Beyer, Chairman
Oregon Public Utility Commission
P. O. Box 2148
Salem, OR 97308-2148

Dear Lee:

Thank you for providing Qwest the opportunity to provide input as a follow up to Dick Notebaert's speech at the spring ROC meeting where he challenged states to reduce regulatory reports that had little or no value. Don Mason and Phil Nyegaard have discussed the process to handle your request and agreed that a written response is the best way to get started.

Generally speaking, Qwest in Oregon believes it has made significant progress in the elimination of certain reporting requirements particularly since Qwest opted into SB 622. However, based on your request, we have developed a list of ten areas where we believe further review needs to be undertaken to ensure the time and effort required to generate the information is necessary given Qwest's current form of regulation and the state of the industry. Particularly as it relates to financial reports, many of the items on the list appear to be a carryover from rate of return regulation.

Thank you for taking Dick's message to heart and the opportunity to provide input to the PUC on this matter.

Sincerely,

A handwritten signature in black ink that reads "Judy Peppler". The signature is fluid and cursive, written over the printed name.

Judy Peppler

Attachment

cc: Commissioner Ray Baum
Commissioner John Savage
Phil Nyegaard, OPUC
Lee Sparling, OPUC
Don Mason, Qwest

Service Quality

Abnormal Condition Reports (ACR): Qwest currently provides the Commission staff copies of significant network outage reports throughout the month. In order to accomplish this activity, Qwest must monitor all reports and identify those reports that are relevant to the PUC which results in a significant work effort. Qwest could avoid most of this manual work effort associated with the current reporting process by simply agreeing to notify the OPUC staff verbally when major outages occur and following up in writing on those events as required. Qwest has been unable to identify either a statute or rule requirement for this level of detailed reporting.

Service Quality Wirecenter Detail: Qwest believes that the current requirement of reporting trouble reports and repair clearing times at a wirecenter or geographic level of detail is unnecessary when the overall service result meets the OPUC standard.

Interoffice Blocking: Current OPUC rules require the reporting of interoffice trunk blockage on trunk groups that exceed 1% blockage. Qwest believes this information is of little value to the Commission on a monthly basis and proposes that this reporting requirement be eliminated. Qwest proposes this reporting requirement be replaced with a process of responding to specific areas of concern that are raised by the staff as a result of complaints.

Financial

Qwest opted out of rate of return regulation beginning January 1, 2000. Under the provisions of the law, a telecommunications carrier that elects to be subject to ORS 759.405 shall not be subject to any other retail rate regulation, including any form of earnings-based, rate-based or rate of return regulation. Because the company is no longer regulated based on its earnings, the following reports could be eliminated and/or substantially reduced.

Budget of Expenditures: In the telecommunications workshop held April 28 to address potential "clean-up" changes to ORS 759, Qwest believes there was agreement from the OPUC staff that the filing of the Budget of Expenditures for Qwest is no longer necessary under price cap regulation. The purpose of ORS 759.100 – 759-115 is to determine whether or not the forecasted expenditures of the telecommunications utility are just and reasonable and should be considered in future ratemaking proceedings. Since Qwest is under price cap regulation, the budget of expenditures serves no purpose and should be eliminated as a filing requirement.

Form O – Total Company and Total State Financial Report:

Oregon law specifies that telecommunications utilities file financial reports "on forms designated by the Commission." The current Oregon reporting format is not easily produced from Qwest's internal financial reports nor from the standard financial and operational reports that the company files with the FCC. As such, Qwest, which is not

regulated based on its financial results, spends over 80 hours each year in reformatting its financial results into the Oregon Form O reporting format. Competitive providers, which also are not regulated on their earnings, are not required to file this information.

The Form O format used by the Commission appears to provide the Staff with the detailed information it needs for overseeing and reviewing the earnings of companies that are regulated under an earnings-based, rate-based or rate of return-based method. However, the detailed information requested on the form does not appear to be necessary for a company that is not earnings or rate of return regulated. Completing the form requires Qwest to spend significant resources to research account detail from general ledgers, prepare the reporting entries and insure the report balances to its FCC produced report.

Qwest suggests that the financial reports no longer be required, however, if the Commission finds the Qwest's Oregon financial results are of some value, both the total company and state of Oregon income statement and various financial reports can be obtained from the FCC's ARMIS reporting website. Financial, operational and service quality reports are available at the following location: www.fcc.gov/wcb/eafs. Any of the preset reports can be downloaded and accessed directly.

Creating an entirely new financial report for Oregon reporting purposes requires considerable time and effort, is of limited value (if any) in the commission's regulation of the company, and a standardized format is readily available on the internet at the Total Company and Oregon state level today.

Form I – Separated Results: Since Qwest is no longer rate of return regulated nor is it required to utilize separated financial results for the development of toll, access or EAS rates, it's not clear why this report is required. Qwest suggests that the separated results of Operation be eliminated for companies, such as Qwest, where the information is no longer required for use in setting rates or determining earnings levels.

Annual 1990's with Rate Case Adjustment: This information is not required under either an Oregon law or rule. At the time Qwest transitioned under price cap regulation, the Staff and the company agreed to replace prior monthly detailed earnings reports with a more simplified annual report and thus began to provide the monthly 1990s and an annual report with Rate Case Adjustments.

Since Qwest has operated under price cap regulation for four years now, this report seems of limited value. The annual report takes approximately 40 hours to create and to update prior rate case adjustments to a current level. This seems of limited value since Qwest will likely never have another rate case. Qwest suggests the routine filing of this report be eliminated. If information is needed by the staff for a specific purpose, the Commission staff has the authority to request it of the company. The company could also easily provide a printed copy of the "1990s" summary report, which is routinely produced for internal purposes, and provide it to the Commission without developing or updating old adjustments from prior rate cases.

Affiliate Interest: This report is provided as part of the Annual Total Company and Total State Financial Results (From O) listed above. Similar to the section above regarding the Form O, since Qwest is no longer rate of return regulated, it's unclear why this information is required by the OPUC. The affiliate transactions were routinely investigated by the Commission in the past to determine if expenditures should be allowed in ratemaking. Since Qwest's rates are no longer regulated in this manner, it is unclear as to what value this information provides the Commission. In fact, Qwest and Staff have agreed to not file affiliate interest contract revisions due to the fact that it is no longer necessary.

If the Commission chose to review the types or level of affiliate transactions, the FCC ARMIS 43-02 report can be accessed through the FCC's website: www.fcc.gov/wcb/eafs. This report provides total company investments in affiliates, asset transfers, accounts payable to affiliates, and a summary of all transactions to and from each affiliate. The Commission also has the authority to request information and for Qwest to provide the information if needed to review a regulatory issue under its jurisdiction.

Information Required Concerning Financings of Exempt Large Telecommunications Utilities (OAR 860-027-0032): Qwest is exempt under ORS 759.315(5) from requiring "commission authorization to issue stocks and bonds, notes or other evidences of indebtedness and any security." However, OAR 860-027-0032 (1) and (2) still require Qwest to file specific items of information within 30 and 90 days of issuing securities. Given that Qwest is no longer rate of return regulated, it is not clear why the reporting requirements under 860-027-0032 are relevant for Qwest.

Construction Budget Supporting Detail: Current Commission processes require the reporting of Construction Budget expenditures at a very detailed level. Considerable work effort is required to generate this supporting detail. For example, Qwest's 2004 Construction Budget included over 40 pages of supporting detail including project by project detail of individual projects as small as \$25,000. While Qwest complies with the OPUC's current reporting requirement, the OPUC needs to recognize that while overall construction budget forecasts for the year are generally reasonably accurate, with some adjustments made during the year for demand and economics, the individual projects included within the budget are very fluid and change from month to month. Therefore, Qwest questions the usefulness of the project detail that is currently being provided to the commission and requests the requirement to provide this level of detail be removed.



Oregon

Theodore R. Kulongoski, Governor

ORDER NO. 08-408

Public Utility Commission
1000 Capitol Street NE, Suite 215
Billing Address: PO Box 2148
Salem, OR 97308-2148
Consumer Services
1-800-522-2404
Local: 503-378-6600
Administrative Services
503-373-7394

August 23, 2004

Judy Pepler
President-Oregon Qwest
421 SW Oak St.
Suite 8S3
Portland OR 97204

Dear Judy:

This letter responds to our mutual goal of streamlining and reducing the number of regulatory reports Qwest must file with the Commission. We have given careful thought to your list of specific requests. While we start from the perspective of eliminating unnecessary or redundant requests, there obviously is information that we need to fulfill our regulatory responsibilities. Our observations and perspectives to your list are outlined below. The Commission remains open to a discussion about how our information needs can be met if you see alternatives that can streamline the process and help gain efficiencies for Qwest.

Service Quality

Abnormal Condition Reports (ACR): The current ACR process started with a verbal agreement between staff and Pacific Northwest Bell (PNB). PNB originally agreed that it would report significant outages that could trigger complaints to the Consumer Services Division. Over time, staff found that PNB did not always report outages that led to customer complaints. This led to an agreement that all outages would be reported. We are currently considering modifications to our service quality rules. One possible modification is to formally require all companies to notify staff by e-mail or phone when a major outage occurs. A definition of major outage will need to be developed. Staff will work with the carriers to achieve a mutually satisfactory reporting requirement.

Service Quality Wirecenter Detail: The alternative of reporting trouble reports and repair clearing time in an aggregated form was carefully considered in AR 375, the rulemaking docket that produced our current rules. Our staff continues to believe that data should be reported at the wirecenter level. Aggregated data can mask significant problems in individual wirecenters that are likely to go unnoticed until large numbers of customer complaints are received. A simple example will illustrate this possibility. Assume that Carrier A has five wirecenters and that its average trouble report rate for a given month is 1.99, a seemingly good number. However, the five individual wirecenter trouble report numbers are 0.75, 1.25, 1.5, 2.0, and 4.45. The trouble report number for the fifth wirecenter is a very bad one. A string of bad numbers for this wirecenter could easily escape detection absent reporting on an individual wirecenter basis. We have found the wirecenter reports to be helpful in identifying problems that we can work with the company to resolve before consumer complaints become an issue.

Interoffice Blocking: The 1% blockage standard has been an industry standard for decades. The PUC rule only requires reporting for blockage measurements that exceed the 1% threshold. Considering the small number of measurements that Qwest reports each month, the current requirement doesn't seem burdensome. We believe that it is important for the Commission to be aware of blockage problems before complaints are received by PUC Consumer Services so customers can be assured that the problem is being addressed. The agency learned first-hand about the importance of being aware of blockage problems in the late 1990s, when a number of very serious problems occurred. If the only source of information about these problems had been customer complaints, identifying and resolving them would have taken much longer.

Financial

Budget of Expenditures: We agree that it would be reasonable to eliminate this requirement for Qwest. However, it will take legislation to achieve this goal; ORS 759.100(2) and (3) require the filing and approval of Qwest's budget of expenditures.

Form O—Total Company and Total State Financial Report: We agree that every effort should be made to minimize the requirements of Form O in light of the fact that Qwest is no longer under rate of return regulation. The Commission has already reduced the number of schedules that must be completed by four, and is willing to also stop requiring six schedules related to Qwest's long-term debt and depreciation. Form O information however, is used for purposes other than just rate cases. The information is used for verification of Oregon Universal Service Fund (OUSF) revenues, the Commission's annual survey of competition, certain key contact information, and the Commission's annual statistics book. It also serves as the staff's primary reference source in responding to Commission-requested factual information regarding Qwest. The following is a list of schedules that we believe should continue to be filed as part of Form O:

- A-1 General Information
- A-2 Important Changes During the Year
- A-3 Stockholders
- B-1 Balance Sheet
- Ob-1 Oregon Rate Base
- I-1 Income Statement
- Oi-1 Oregon Income Statement
- I-2 Full-Time Employees
- Oi-2 Full-Time Employees in Oregon
- I-3 Compensation of Directors, Officers, and Managers
- S-1 Switches and Access Lines in Service
- Os-1 Oregon Switches and Access Lines in Service
- S-2 Minutes of Use
- CP Annual Report for Competitive Provider Operations
- LEC Annual Report for Local Exchange Carrier Operations

Form I—Separated Results: Again, while the information from Form I is no longer needed for rate cases, it is useful in verifying OUSF information and the PUC fee.

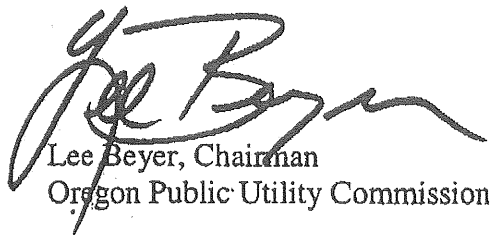
Annual 1990's with Rate Case Adjustment: We are willing to eliminate these filings, which are based upon a stipulation in UT 85. It might be necessary to formally end the stipulation.

Affiliate Interest: We think there may be a misunderstanding about this filing. The Form O instructions indicate that Qwest is not required to file AI information because it does not make annual access charge filings.

Information Required Concerning Financings of Exempt Large Telecommunications Utilities (OAR 860-027-0032): Our staff would like to retain the requirements of this rule. The cited rule is closely related to OAR 860-027-0031. Both rules are designed to "prevent impairment of the telecommunications utility's ability to provide telecommunications utility services to its customers in this state." [See ORS 759.315(5)(b)]. From our analysis, it doesn't appear that these filings are onerous. We remain open to discussion if you disagree.

Construction Budget Supporting Detail: This is a statutory requirement. We find the construction budgets useful for monitoring construction activities as they relate to service quality, as well as eligible telecommunications carrier (ETC) obligations.

Judy, again, I want to emphasize the Commission remains open to discussion about how we might work together to help the Company achieve greater efficiencies while allowing us to fulfill our oversight responsibilities. I would be happy to discuss this in general or, if you or a member of your staff would like to explore these technical issues in more detail, I would suggest you call Phil Nyegaard directly (503) 378-6436.



Lee Beyer, Chairman
Oregon Public Utility Commission

October 7, 2004

Mr. Phil Nyegaard
Administrator, Telecommunications Division
Oregon Public Utility Commission
550 Capitol Street NE, P O Box 215
Salem, OR 97301-2551

Dear Phil:

Qwest has reviewed Chairman Lee Beyer's August 23 response to our request to reduce the number of regulatory reports required in Oregon. While we appreciate the progress that has been made, there are still areas that we believe warrant further review and discussion. This letter addresses primarily the financial reporting requirements, including budgets, and suggests some further changes that would reduce Qwest's costs of compliance while at the same time providing the OPUC with relevant information. We have provided copies of reports Qwest already produces that provide similar information to the required Oregon reports. We'd like you and your staff to review and consider these alternatives. Then, we'd like to have a meeting to discuss these suggestions. This would allow for a dialogue between the both staffs in order to understand uses and alternative sources that may not have been discussed previously.

Relative to service quality reporting, we anticipate that requirements relative these items will be considered in the proposed service quality rulemaking.

Form O

Using the following recommendations for the Balance Sheet and Income Statement will save Qwest approximately two weeks of combined clerical/manager time.

B-1 and OB-1 Balance Sheet – Qwest would provide an MR2 report (Balance Sheet), Supplement A (Details of Assets and Liabilities including plant additions and plant retirements), and Supplement B (Tax Timing Details). These standard Qwest reports provide the same information but in some cases are more detailed than the Form O and in some cases consolidated lines on the Form O. MR reports do not show beginning balances, but do show the increase over last year.

I-1 and OI-1 Income Statement – Qwest would provide an MR4 report (Summary of Operating Revenues), MR5 (Operating Expenses), and Supplement A to MR3 (Details of Certain Accounts). As noted above for the Balance Sheet, these standard Qwest reports provide the same information but in some cases are more detailed than the Form O and in some cases consolidated lines on the Form O.

I-3 Compensation of Directors – This information would not be included in the Form O, but would be available in the Proxy Statement which would be provided at a later date.

S-2 – MOU – Eliminate lines 4-9 (Sprint and Verizon) so that Qwest does not need to pull data by specific company.

Form I

This report should be eliminated. If Staff needs verification of the revenues reported on the OUSF, the ARMIS reports that are available on the FCC website could be used, or Qwest could provide a standard 1990's Detail Report. It takes a Qwest manager approximately one week to prepare the Form I report for QC.

Also, for the Malheur Form I, Qwest proposes to eliminate the requirement to manually adjust all of the data because of the FCC's frozen separations factors. When preparing these reports, Qwest has been calculating new factors and then re-calculating the data using those new factors. It takes approximately two weeks of a manager's time to complete the Malheur report.

Budget of Expenditures

It appears the OPUC and industry have agreed this report can be eliminated, but that law cannot be changed until next year during the legislative session. Given this situation, should the industry pursue a waiver for this fall's submittal?

Failing a waiver, Qwest would suggest that resources to produce this report could be minimized by:

- 1) Including only Officer Salaries, not benefits. This data is much easier to obtain and would meet the requirement which specifically refers to salary.
- 2) For any amounts that are booked in non-operating accounts (such as lobbying and political contributions), simply state that and eliminate quantifying those amounts that do not impact regulated operations.
- 3) For the affiliate amounts, report a total number instead of by company.

Construction Budget

Qwest continues to believe the level of detail supplied on this report is beyond information that is useful to the Commission, particularly as it relates to "minor" projects (less than \$100,000). The minor projects reported in a typical year for Qwest represent 75% of the projects reported on the construction budget, but less than 20% of the total construction budget dollars. In addition, there is a tremendous amount of fluidness with these small jobs and they change dramatically from month to month making any single snapshot in time accurate for only a short time period. Elimination of the reporting of minor jobs would reduce Qwest's work effort associated with this task by 60%. Therefore, Qwest requests the minor project category be eliminated and proposes that only projects of \$100,000 or more be listed.

As mentioned previously, we'd like an opportunity to sit down and discuss our proposals and alternatives in a face to face meeting. Please contact me at your convenience.

Sincerely,

Don Mason

Qwest
421 Southwest Oak Street
Suite 810
Portland, Oregon 97204
503-242-7454
503-242-7243 Facsimile
e-mail: don.mason@qwest.com

ORDER NO. 08-408

Attachment 1
Page 12 of 15



Donald K. Mason
Regulatory Director - Oregon

Monday, November 29, 2004

Dear Phil,

In our meeting regarding substituting standard Qwest reports for the data required on the Oi-1 Oregon Income Statement, Staff expressed concerns that they needed data from the Oi-1 regarding the OUS revenues collected, revenues received and expenses paid in. Qwest has compared the standard reports (MR4 Operating Revenues and MR5 Operating Expenses) to the Oi-1 and believes that providing the following information to Staff along with the standard reports will provide them with the data needed.

The MR4 report has one line for account 5001 (basic area revenues). Qwest could separately identify the account balances in 5001.821 plus 5001.822 for the Distributions of State USF to match the data provided on the Oi-1.

For the Network Access revenue, the MR4 has single entries for accounts 5081, 5082, 5083 and 5084. Qwest could separately identify the account balances for 5081.8 (Collections of Federal USF), 5084.18 (Collections of State USF), and 5082.18 (Distributions of Federal USF) to match the Oi-1.

The MR5 report separately identifies account 6540.7 USF Contribution. Qwest could separate that account balance between Federal USF and State USF using the subaccounts identified on the Oi-1.

Providing the standard reports plus the additional data identified above will hopefully meet Staff's needs and will save Qwest substantial resources compared to producing the Oi-1 report. Qwest appreciates the Staff's willingness to consider these alternatives.

Please notify me if you agree with the proposal above or have any additional concerns. Details relative to this proposal can be discussed with Joyce McDonald (206-345-1514)

Sincerely,

Don Mason

cc: Joyce McDonald

Results of November 3, 2004 Meeting with OPUC Staff**Form O**

The following recommendations for the Balance Sheet and Income Statement will save Qwest approximately two weeks of combined clerical/manager time.

B-1 and OB-1 Balance Sheet - OPUC staff has agreed that Qwest can provide the following company standard reports to meet this requirement: MR2 report (Balance Sheet), Supplement A (Details of Assets and Liabilities including plant additions and plant retirements), and Supplement B (Tax Timing Details). This agreement eliminates all of the manual effort that had been required.

I-1 and OI-1 Income Statement - Qwest will provide standard Qwest reports MR4 (Summary of Operating Revenues), MR5 (Operating Expenses), and Supplement A to MR3 (Details of Certain Accounts) to replace the I-1 report. For the OI-1 report, Staff agreed that if Qwest can provide a few additional detail line items to meet their specific concerns, the standard reports would also suffice. Joyce McDonald will provide a sample format to get Staff's approval. Providing the standard reports with the supplemental details will eliminate approximately 90% of the manual effort for this report.

I-3 Compensation of Directors - This information would not be included in the Form O, but would be available in the Proxy Statement which would be provided at a later date.

S-2 - MOU - Qwest will explore the availability of Sprint and Verizon information (lines 4-9) on a going forward basis. If the historical data is maintained for 24 months, Staff has agreed that Qwest need not provide this data as part of Form O, but would provide it only upon request by staff.

Form I

Staff has agreed this report can be eliminated. Qwest will provide a standard 1990's Detail report instead. This will save approximately one week of preparation time for this QC report.

Budget of Expenditures

Based on Qwest's initiative relative to this report, the OPUC has agreed this report can be eliminated not only for Qwest, but for all large telecom carriers. This change requires a statutory change which cannot be accomplished until next year during the legislative session. The elimination of this report has been incorporated into a consensus industry/PUC legislative proposal to be worked next year.

Construction Budget

OPUC Staff has agreed that the requirement to include "minor" projects (less than \$100,000) can be eliminated beginning with the 2005 budget due in December. Minor projects account for 75% of the projects reported on the construction budget, but less than

20% of the total construction budget dollars reported in a typical year. Elimination of the reporting of minor projects reduces Qwest's work effort associated with this task by 60%.

Service Quality Reports

OPUC staff has agreed that the monthly service quality reports can now be submitted electronically saving the time and effort of providing paper copies.

Contract Filings

OPUC Staff and Qwest will continue to look for ways to simplify the special contract (ICB) filing process. One idea that requires legal review is whether the filing of the actual physical contracts can be eliminated if the key pertinent elements of the contract are filed.

Mason, Don

From: NYEGAARD Phil [phil.nyegaard@state.or.us]
Sent: Tuesday, December 21, 2004 4:39 PM
To: Mason, Don; NYEGAARD Phil
Cc: McDonald, Joyce; Harris, Sheila; VANLANDUYT Cynthia; LAMBETH Terry
Subject: RE: Regulatory Reports

We accept your proposal. Sorry to be so slow.

-----Original Message-----

From: Mason, Don [mailto:Don.Mason@qwest.com]
Sent: Monday, November 29, 2004 9:57 AM
To: NYEGAARD Phil
Cc: McDonald, Joyce; Harris, Sheila
Subject: Regulatory Reports

The attached letter is a follow-up to the discussion we had on November 3 relative to financial reports Qwest provides to the Commission.

In addition, Qwest would like to have some follow-up discussion relative to the filing of financing information as required by OAR 860-027-0032. Are you the appropriate contact for this or is Marc Hellman?