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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

2005 APR 21 P 4: 19

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

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APR 21 2005

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IN THE MATTER OF QWEST CORPORATION'S
FILING OF RENEWED PRICE REGULATION
PLAN

Docket No. T-01051B-03-0454

IN THE MATTER OF THE INVESTIGATION OF
THE COST OF TELECOMMUNICATIONS
ACCESS

Docket No. T-00000D-00-0672

NOTICE OF FILING

Staff of the Arizona Corporation Commission ("Staff") has prepared the attached Principles of Settlement, which represents its understanding of the agreements reached between the Parties. Staff is filing these Principles as a means of updating the Commission and the Administrative Law Judge on the progress of negotiations to-date. These Principles have been distributed to the Parties today that have been active in these negotiations, however, the Parties have not had an opportunity to review the Principles or offer input into them. This is not a unanimous Settlement at this time. The Parties anticipate further negotiations on the Special Access issue before the Principles are codified in a final Settlement Agreement.

RESPECTFULLY SUBMITTED this 21st day of April, 2005.

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1 Original and 15 copies of the foregoing
2 filed this 21st day of April, 2005
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6 Copy of the foregoing mailed this 21st
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Summary of Principles of Settlement

1. **April 1, 2005 Reduction**
Qwest's authorized revenue requirement for the first year of the Plan will be reduced by the April 1, 2005 adjustment.
2. **Qwest Appeals**
Qwest will dismiss its appeals of the 4-1-04 and 4-1-05 Price Cap Plan reductions
3. **Revenue Cap**
Qwest authorized revenues will be increased by \$31.8 million
4. **Baskets**
Services will be placed in the following Baskets:
 - a. Basket 1: Hard-Capped Services
 - b. Basket 2: Limited Pricing Flexibility Services
 - c. Basket 3: Flexibly-Priced Competitive Services
 - d. Basket 4: Wholesale Services
5. **Headroom**
Headroom will equal the difference between Qwest's current Revenues and the new authorized rates. (Current revenues are in excess of \$920 million excluding B&C and Voice Mail.) The split between Baskets 2 and 3 is to be determined.
6. **Future Competitive Zone Proposals**
Qwest will not file a new competitive zone proposal during the life of the plan.
7. **Imputation/Price Floors**
The parties agreed that there is no need to pursue this matter. The Renewed Plan will contain the same requirements as the Initial Plan.
8. **Promotions**
Qwest will be allowed to implement promotions on one day notice to the Commission.
9. **Voice Mail Service and Billing and Collection Services**
Voice Mail and IXC Billing and Collection Service will be deregulated.
10. **Depreciation**
Qwest's depreciation expenses shall be reduced by \$255 million annually for the first five years and \$225 million thereafter.
11. **Regulatory/Accounting:**
 - a. SOP-98 – Adopted SOP 98-1 in 2001 consistent with OPEBs
 - b. OPEB's - Adopted SFAS 106 on 4-1-2001

- c. use of GAAP – see Depreciation discussion,
 - e. BSI – Qwest has corrected its accounting.
 - f. xDSL revenue/cost matching – Qwest will accept Staff's accounting adjustment.
12. **D.A. (1 free call)**
Qwest will continue the current practice.
13. **Line Extension Credit**
Qwest will increase the line extension credit from \$3000 to \$5000.
14. **Service Quality**
Qwest will accept Staff's proposed service quality tariff amendments
15. **AUSF**
Qwest will withdraw the proposed AUSF proposal that was submitted in this docket.
16. **Elimination of Certain Reports**
Qwest will no longer be required to file the deposit calculation and PAL line reports.
17. **Other Consumer Benefits**
 - a. Zone Increment charges will be reduced by fifty percent.
 - b. Non-published and Non-listed rates will each be reduced by fifty cents.
 - c. Medically Needy program funding will be increased by \$1 million annually with additional publicity.
18. **Packaged Offerings**
Packaged offerings will be included in Basket 3 with individual elements of the packages available on an a la carte basis in Baskets 1 or 2.
19. **Switched Access**
Switched Access charges will be reduced by \$12 million. This will be a revenue neutral change.
20. **Special Access**
Discussions are ongoing.