



BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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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 SETTLEMENT  
AGREEMENT**

The Arizona Corporation Commission Staff ("Staff") hereby files the Settlement Agreement between Staff, Qwest Corporation, the Department of Defense and all other Federal Executive Agencies, the regulated subsidiaries of MCI, Inc., Time Warner Telecom of Arizona, LLC, the Arizona Utility Investors Association and XO Communications Services Inc., in these Dockets.

RESPECTFULLY submitted this 23<sup>RD</sup> day of August, 2005.

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Original and 15 copies of the  
foregoing filed this 23<sup>RD</sup> day  
of August, 2005 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

1 Copies of the foregoing mailed this  
2 23<sup>rd</sup> day of August, 2005 to:

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## SETTLEMENT AGREEMENT

Qwest Corporation ("Qwest"), the Arizona Corporation Commission ("Commission") Utilities Division Staff ("Staff"), the Department of Defense and All Other Federal Executive Agencies ("DOD-FEA"), the regulated subsidiaries of MCI, Inc. ("MCI"), Time Warner Telecom of Arizona, LLC ("Time Warner Telecom"), the Arizona Utility Investors Association ("AUIA"), Cox Arizona Telcom, LLC ("Cox"), and XO Communications Services, Inc. ("XO"), (collectively "the Parties") hereby agree to a settlement of the pending Qwest application for renewal of its Price Cap Plan with modifications ("Qwest Application"), the Commission's Investigation of the cost of Telecommunications Access ("Cost of Access Docket") and the Commission's Generic Investigation into its Imputation Rules ("Imputation Docket"). The following terms and conditions, including Attachments A through E appended hereto (hereinafter referred to as the Renewed Price Cap Plan), are intended to resolve all of the issues among the Parties associated with the Qwest Application, Cost of Access and Imputation Dockets as the issues pertain to Qwest.

### RECITALS

WHEREAS, the Parties desire to adopt this Settlement Agreement (the "Agreement") and Renewed Price Cap Plan to settle all outstanding issues in Docket Nos. T-01051B-03-0454 and T-00000D-00-0672 and RT-00000J-01-0407 as they pertain to Qwest in a manner that will promote the public interest.

WHEREAS, the Parties agree that the negotiation process undertaken in this matter was open to all Intervenors and provided all Intervenors with an equal opportunity to participate. All Intervenors were notified of the settlement process and encouraged to participate.

WHEREAS, the Parties agree that the terms of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by

Qwest's application for renewal of its Price Cap Plan, Docket No. T-01051B-03-0454 and in Docket No. T-00000D-00-0672 as it pertains to Qwest. The adoption of this Agreement will further serve the public interest by allowing the Parties to avoid the expense and delay associated with litigation.

WHEREAS, in consideration thereof, the Parties agree as follows:

### **TERMS AND CONDITIONS**

1. **FAIR VALUE RATE BASE AND REASONABLE RATE OF RETURN.**

For ratemaking purposes, and in accordance with the terms of this Agreement, the Parties agree that the "fair value" of Qwest's Arizona rate base for the test year ending December 31, 2003 (the "Test Year") is \$1,507,745,000. For ratemaking purposes and for purposes of this Agreement, the Parties agree that a reasonable return on the fair value of that rate base is 9.5%. The Parties stipulate to the adoption of the foregoing fair value rate base and reasonable rate of return and agree that the opportunity to recover the revenue deficiency, as identified in Section 2 below, results in just and reasonable rates for Qwest for the term of the Renewed Price Cap Plan and for such period of time until the Commission approves a renewed or revised Plan, or terminates the existing Plan.

2. **REVENUE DEFICIENCY**

For ratemaking purposes and in accordance with the terms of this Agreement, the Parties agree that Qwest's jurisdictional revenue deficiency is \$ 31.8 Million.<sup>1</sup>

3. **RECOGNITION OF CERTAIN ACCOUNTING ADJUSTMENTS for OPEBS and SOP 98-1**

The Parties agree to the resolution of certain accounting issues in the following manner. For settlement purposes, the Parties agree that with respect to calculating

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<sup>1</sup> The agreements set forth in Sections 1 and 2 regarding the quantification of fair value rate base, a reasonable rate of return and the amount of the revenue deficiency are made for purposes of settlement only. The Parties stipulate that the agreements regarding quantification of fair value rate base, a reasonable rate of return, revenue requirement, and revenue deficiency should not be construed as admissions against interest or waivers of litigation positions or claims by any Party relating to the calculation of these amounts. The Parties also stipulate that except as specifically set forth in Sections 3 and 4 of the Agreement, each Party reserves the right to pursue its advocacy in regard to any such controversy in other proceedings.

Qwest's revenue requirement, Qwest shall be treated as having adopted on April 1, 2001, Statement of Financial Accounting Standards ("SFAS") 106 to account for Other Post Employment Benefits ("OPEBs"), with a ten year amortization of Qwest's December 31, 2000 Accumulated Post-Retirement Benefit Obligation ("APBO") starting April 1, 2001.

The Parties further agree, for settlement purposes, that with respect to calculating Qwest's rate base and revenue requirement, Qwest shall be treated as having adopted on January 1, 2001 the American Institute of Certified Public Accountants' Statement of Position 98-1 ("SOP 98-1") to account for the costs of internal use computer software, effective January 1, 2001.

For purposes of any operating rate base or revenue requirement calculations that Qwest or any other party may submit to the Commission pursuant to this Settlement Agreement or in future proceedings, the Parties agree that such submissions will reflect the adoption of SFAS 106 to account for OPEBs and SOP 98-1 to account for internal use software as set forth in the preceding two paragraphs.

The Parties agree that Qwest will provide Staff with a confidential copy of its year-to-date December 1990s report for Arizona, prepared in the normal course of business, or any substantively identical replacement. Qwest will provide this report at the same time it files its annual report with the Commission. Staff will treat the 1990s report as confidential, the same treatment required under Commission rules for its annual report. Qwest also agrees that for purposes of possible future cost of service ratemaking in Arizona, Qwest will maintain adequate off-book or side records consistent with the agreed upon adoption dates for SFAS 106 and SOP 98-1, as set forth within this Section 3 and with Commission ordered depreciation rates and amortizations. The 1990s report will together with any necessary addendums, reflect intrastate financial results consistent with the agreed adoption dates for SFAS 106 and SOP 98-1 and the Commission ordered depreciation rates and amortizations.

4. **DEPRECIATION LIVES**

The Parties agree that Qwest will use the depreciation rates and amortizations shown on Attachment B. This results in approximately a \$255 Million reduction in the annual intrastate depreciation expense for each year of the first five years, and approximately a \$225 million annual reduction below the test year level in the intrastate depreciation expense thereafter. These revised depreciation rates and amortizations will be effective beginning on the date the Commission enters an Order approving this Settlement Agreement if that date is the first day of the month, or if it is not, then beginning on the first day of the month following that date. The Parties agree that Qwest will use these rates and amortizations and corresponding reductions in intrastate depreciation expense for the term of this Plan and for all subsequent proceedings as applicable.

5. **BSI CONSTRUCTION RELATED CHARGES**

Staff believes that Qwest did not charge its affiliate, Qwest Broadband Services, Inc. ("BSI") for the cost of installing pedestals and cabinets used by BSI. Qwest agrees that it should have charged BSI for the cost of installing the pedestals and cabinets used by BSI. The calculation of the revenue deficiency takes into account Qwest's failure to bill for pedestals and cabinets used by BSI. Qwest agrees that going forward it will charge BSI for the cost of installing pedestals and cabinets used by BSI in accordance with the FCC's affiliate billing rules and will continue to bill BSI for all other costs in accordance with those same rules.

6. **DSL ALLOCATION**

Staff and Qwest agree that DSL revenues are not considered intrastate jurisdictional revenues. Staff and Qwest agree that, to the extent permissible under the FCC Part 36 separations rules, the DSL costs also should not be considered intrastate jurisdictional costs.

7. **APRIL 1, 2005 PRODUCTIVITY ADJUSTMENT**

This Settlement Agreement recognizes that the Commission's Decision No. 67734 suspended the Productivity Adjustment to prices that Qwest would have made to Basket 1 of the original Price Cap Plan on April 1, 2005, under the Commission's interpretation of that Plan. Under Decision No. 67734, Qwest is obligated to demonstrate that final rates approved in this docket result in ratepayers receiving the full value of the suspended April 1, 2005 Productivity Adjustment as if it had been effective April 1, 2005. The Parties agree that Qwest's obligation under Decision No. 67734 is satisfied by the \$12.0 Million reduction in its allowable net increased revenue from price changes for the first year of the Plan as set forth in Section 10 of this Agreement.

8. **SWITCHED ACCESS CHARGE REDUCTIONS**

Qwest shall make Switched Access Charge (Basket 4) reductions totaling \$12.0 Million at the start of Year 1 of the Renewed Price Cap Plan. This shall be a permanent reduction in Switched Access Charges. The Parties agree that the \$12 Million reduction shall be revenue neutral. Qwest's revised Switched Access Charge rates are attached as Attachment C.

9. **SPECIAL ACCESS REDUCTIONS**

Pursuant to Qwest's Competitive Private Line Transport Services Tariff, Section 5.2.13.B.5, Custom Offering, Qwest agrees to continue to make available to carriers transport services and other services on a customized basis. Qwest also agrees to offer thereunder to Time Warner Telecom, XO and other carriers intrastate DS1 private line services on a contract basis according to the same terms, conditions, and prices set forth in Attachment D.

10. **OPPORTUNITY FOR PRICE CHANGES PERMITTED UNDER THE PLAN**

The Parties agree that Qwest shall be granted the opportunity to increase its revenue through limited price changes during the terms of the Renewed Plan. The

revenue increases shall be derived from Baskets 2 and 3 of the Plan as described in this Section 10 and in Section 11.

In Year 1 of the Plan, the allowable net increase in revenues resulting from price changes<sup>2</sup> shall not exceed \$31.8 Million, allocated between Baskets 2 and 3 of the Plan, as set forth in Section 11. The \$31.8 Million of allowable net increased revenue from price changes is determined by starting with the \$31.8 Million revenue deficiency set forth in Section 2 of this Agreement, adding \$12.0 Million to offset the Switched Access Charge reduction set forth in Section 8 of this Agreement, and subtracting \$12.0 Million for the April 1, 2005 Productivity Adjustment identified in Section 7 of this Agreement.

In Year 2 of the Plan, and in subsequent years in which the Plan is in effect, Qwest will be allowed to implement net price changes for services in Baskets 2 and 3 that increase annual revenues no more than \$43.8 Million (which represents the \$31.8 Million revenue deficiency plus \$12.0 Million to offset the Switched Access Charge reduction). It is the intent of the Parties that under no circumstances will the overall increase in annual revenues from net price changes exceed \$43.8 Million during the term of the Renewed Plan.

The Parties agree that the rate changes specifically set forth in this Agreement (together with any applicable resale discounts) and the pricing flexibility for Basket 2 and 3 Services under the Renewed Price Cap Plan result in just and reasonable rates for Qwest's Arizona intrastate operations.

**11. ALLOCATION OF PRICE CHANGE OPPORTUNITY BETWEEN BASKETS 2 AND 3**

For Year 1, the overall net revenue increase resulting from price changes shall not exceed \$31.8 Million and shall be allocated as follows: any amount up to and not

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<sup>2</sup> The phrase "net increase in revenues resulting from price changes" recognizes that reported revenues can change due to two factors; changes in volumes and changes in prices. Because the Renewed Price Cap Plan sets a limit on the revenue increase allowed in Basket 2 and 3 from changes in prices during each Plan year, this phrase is intended to indicate that any net price changes implemented by Qwest cannot result in greater net revenues than the allowed limit.

exceeding \$1.8 Million shall be allocated to Basket 2 (\$13.8 Million less \$12.0 Million for the April 1, 2005 reduction identified in Section 7 of this Agreement) and the remainder of the aggregate \$31.8 Million not used for Basket 2 shall be allocated to Basket 3.

For Year 2 of the Renewed Price Cap Plan, and for subsequent years in which the Renewed Price Cap Plan is effective, the overall net revenue increase from price changes shall not exceed \$43.8 Million (\$31.8 Million revenue deficiency set forth in Section 2 of this Agreement plus the \$12.0 Million Switched Access Charge reductions set forth in Section 8 of this Agreement) and shall be allocated as follows: any amount up to and not exceeding \$13.8 Million shall be allocated to Basket 2 and the remainder of the aggregate \$43.8 Million not used for Basket 2 shall be allocated to Basket 3.

The additional Consumer Benefits identified in Section 13 shall not be accounted for in determining price and revenue changes pursuant to Sections 10 and 11 of this Settlement Agreement.

**12. PRICE CAP PLAN.**

The Parties agree to a Renewed Price Cap Plan, described in this Section and Attachment A and its appendices, as part of the resolution of Qwest's Application. The term of the Renewed Price Cap Plan is as set forth in Section 17 below. The Renewed Price Cap Plan will consist of three retail baskets and one wholesale basket as set forth below and as more fully described in Attachment A to this Agreement. The services contained in each Basket shall not be subject to change, except for the addition of new services, during the term of the Renewed Price Cap Plan and until such time as the Commission approves a new or modified Plan or terminates the Renewed Price Cap Plan.

**BASKET 1:** Basket 1 will consist of Hard-Capped Retail Services whose prices may not be increased while the Renewed Price Cap Plan is in effect. Such prices are described herein as "hard-capped." The Basket 1 prices for services will be hard-capped at their existing price levels for the duration of the Renewed Price Cap Plan, and

until the Commission approves a new or modified Plan or terminates the existing Plan. The services in Basket 1 of the Renewed Price Cap Plan are identified on Appendix A-1 to Attachment A to this Agreement. The existing Price Cap Plan productivity/inflation indexing mechanism for Basket 1 is eliminated in this Renewed Price Cap Plan. Qwest agrees to implement, as part of the Renewed Price Cap Plan, the consumer benefits as outlined in Paragraph 13 below in lieu of the productivity/inflation indexing mechanism.

**BASKET 2:** Basket 2 will consist of Limited Pricing Flexibility Retail Services. The services in Basket 2 are identified on Appendix A-2 of Attachment A to this Agreement. Increases in individual service prices for Basket 2 services shall not exceed 25 percent in any 12 month period. Qwest shall submit the information contemplated in subpart 7 of Attachment A with each price change which demonstrates that overall Basket revenue changes caused by price changes, at then current sales volume levels<sup>3</sup>, do not exceed the allowed revenue increase amounts provided for in Section 11 of this Settlement Agreement. Specifically, the additional revenue level for purposes of increased prices in Basket 2 shall be capped at \$ 13.8 Million, for the term of the Renewed Price Cap Plan and until such time as the Commission approves a new or revised Price Cap Plan, or terminates the Renewed Price Cap Plan. For the full first year of the Renewed Price Cap Plan, however, Qwest shall subtract the \$12 Million from the allowed revenue increase in Basket 2 as set forth in Sections 7 and 11 above. Reporting of price and revenue changes in Basket 2 will be calculated as set forth in subpart 7 of Attachment A.

**BASKET 3:** Basket 3 will consist of Flexibly-Priced Competitive Services. The services contained in Basket 3 are identified on Appendix A-3 of Attachment A to this Agreement. Qwest shall submit the information contemplated in subpart 7 of

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<sup>3</sup> The phrase "at then current sales volume levels" recognizes that demand volumes will change subsequent to the test year. As a result, the Renewed Price Cap Plan allows Qwest to use updated actual demand levels for the most recent available 12-month period for the sole purpose of quantifying the revenue impact of price changes, rather than limit or restrict the demand levels to fixed, historical levels.

Attachment A with each price change which demonstrates that overall Basket revenue changes caused by price changes, at then current sales volume levels, do not exceed the allowed revenue increase amounts provided for in Section 11 of this Settlement Agreement. Specifically, the additional revenue level for purposes of limiting price increases in Basket 3 shall be capped at \$30.0 Million plus the remainder of the \$13.8 Million not used for Basket 2 for the term of the Renewed Price Cap Plan, and until such time as the Commission approves a new or revised Price Cap Plan, or terminates the Renewed Price Cap Plan. Reporting of price and revenue changes in Basket 3 will be calculated as set forth in subpart 7 of Attachment A.

**BASKET 4:** Basket 4 of the Renewed Price Cap Plan shall consist of Wholesale Services. The services in Basket 4 are identified on Appendix A-4 of Attachment A to this Agreement. Wholesale Service prices are capped at the tariffed or contract price levels for the term of the Renewed Price Cap Plan, or until contracts are re-negotiated, or the FCC, the Commission or the courts determine that other prices are appropriate.

**13. ADDITIONAL CONSUMER BENEFITS**

Qwest will implement the following additional consumer benefits:

**a) Reduction in Zone Charges**

The current zone charges for Zones 1 and 2 will be reduced as follows: The current Zone 1 charge of \$1.00 will be reduced to \$0.50. The current Zone 2 charge of \$3.00 will be reduced to \$1.50.

**b) Reduction to Non-Published and Non-Listed Telephone Number Rates**

The current rates for Non-Published and Non-Listed Telephone Numbers for residential customers will be reduced by \$0.50. The current rate of \$1.65 for residential non-published numbers shall be reduced to \$1.15. The current rate of \$1.30 for residential non-listed numbers shall be reduced to \$0.80.

c) **Increase in Funding for the Telephone Assistance Plan for the Medically Needy**

Qwest shall increase its current \$1.0 Million annual funding of the Telephone Assistance Plan for the Medically Needy ("TAP"), which was established by the Commission in Decision 57462, dated July 15, 1991, to a total of \$2.0 Million annually, exclusive of any federal funding received. Section 5.2.6.B of Qwest's Exchange and Network Services Price Cap Tariff shall be revised to reflect the \$1.0 Million increase in program funding to a total of \$2.0 Million annually. The other terms and conditions of the program shall remain the same except for the addition of funding for community agencies and a public awareness plan discussed below.

Such funds shall be used solely for the purposes of the Medically Needy program, which shall include the reasonable costs of the Arizona Department of Economic Security ("DES") to administer the program. In addition, separate funding of \$100,000 annually shall be deducted from the \$2.0 Million fund to offset the reasonable administrative costs incurred by community agencies that assist DES in enrolling qualified applicants in the TAP program. On a quarterly basis, DES shall determine, and invoice Qwest for, each community agency's pro-rata share of the \$100,000 annual funding based upon the number of TAP applications each agency has processed in the quarter. Qwest shall consult with DES and submit a plan to the Commission which determines how each community agency's pro-rata share is to be determined.

Unused TAP funds in any given year shall remain in the account for use in subsequent years. TAP expenditures are capped at the \$2.0 Million annual funding level unless the account has a surplus from prior years. In the event the account has a surplus from prior years and there are additional qualified applicants, TAP expenditures may exceed the annual funding level.

During the first six months of the Renewed Price Cap Plan, Qwest shall work with DES on development of a public awareness plan so that more eligible consumers may take advantage of the Program. Costs associated with the additional public

awareness are not included in the \$2.0 Million annual funding of the Medically Needy program. The public awareness plan shall be provided to the Commission's Consumer Services Section for review and Commission approval prior to implementation.

The public awareness plan described above which is to be executed during the first six months of the Plan shall provide at a minimum for: 1) public information in all areas served by Qwest which addresses the availability, benefits and qualifying criteria for the Medically Needy program; 2) information to be provided in both English and Spanish; 3) targeted promotion to effectively reach those consumers who may meet the eligibility criteria of the program; and, 4) further efforts to reach out and contact other community agencies to increase TAP participation. In addition to the public awareness plan, Qwest shall prepare all promotional material which is to be distributed to prospective applicants in a form, content and manner acceptable to the Commission's Utilities Division Staff.

**14. DIRECTORY ASSISTANCE**

Throughout the term of the Renewed Price Cap Plan, Directory Assistance will be capped at its existing rate of \$1.15 per call, which shall include: (a) the current one call allowance per month without charge, (b) two inquiries per usage, and (c) call completion.

**15. SERVICE QUALITY**

To ensure service quality during the term of the Renewed Price Cap Plan, the Parties agree that, for any year in which Qwest becomes subject to penalties under two or more of the five categories defined in Section 2.6 of the Service Quality Plan Tariff [i.e., Section 2.6.1(F) through Section 2.6.1(J)], additional credits shall be implemented. Such additional credits shall take the form of one-time credits of \$2.00 for each residential and business access line in Arizona. Qwest shall issue these credits no later than March 31 of the year in which the foregoing Section 2.6 penalties are paid. The foregoing credits are additional to any credits and penalties provided for under the Service Quality Plan Tariff. These provisions shall be added by Qwest to its current Service Quality Plan Tariff.

Qwest shall further implement Staff's other recommendations as set forth in Staff's testimony on this issue. This shall include two adjustments to the penalty and offset ranges for Residence Office, Business Office and Repair Office access (contained in Tariff sections 2.6.1 H, I and J). The first adjustment would split the 85% to 100.00% offset range into two ranges with differing penalty offset amounts. The second would decrease the width of the no penalty range by five (5) percent which would shift the lower three ranges upward by five (5) percent. The current ranges and penalty/offsets compared to the recommended ranges and penalty/offsets are set forth below:

Current Range	Current Penalty/Offset	Recommended Range	Recommended Penalty/Offset
85.01% - 100.00%	\$4,000/day offset	90.01% - 100.00%	\$4,000/day offset
		85.01% - 90.00%	\$2,000/day offset
70.01% - 85.00%	No penalty	75.01% - 85.00%	No penalty
56.01% - 70.00%	\$1,000/day penalty	61.01% - 75.00%	\$1,000/day penalty
32.01% - 56.00%	\$2,000/day penalty	37.01% - 61.00%	\$2,000/day penalty
0% - 32.00%	\$4,000/day penalty	0% - 37.00%	\$4,000/day penalty

Qwest shall further revise Section 2.5.6A of its Service Quality Plan Tariff to establish a total company maximum objective of no more than 3.0 trouble reports per 100 access lines in any month averaged over all wire centers.

Qwest shall be allowed to clarify in its Service Quality Plan Tariff, Section 2.5.1, its obligations during conditions outside of its control. These conditions, termed "Force Majeure", do not significantly change Qwest's obligations, but provide greater clarity around the events and illustrate examples of circumstances beyond the reasonable control of Qwest. The specific revisions that Qwest will include in its Tariff are attached as Attachment E.

All other provisions of the Service Quality Plan Tariff not modified herein shall continue to be part of the Plan and the Service Quality Plan tariff.

**16. LINE EXTENSION CREDIT**

Qwest shall increase the current Line Extension Allowance contained in Section

4.2.2 of its Exchange and Network Services Price Cap Tariff from \$3,000 to \$5,000. This modification is intended to make establishment of service more affordable to consumers living in rural areas of the State.

**17. TERM OF PLAN**

The term of Qwest's Renewed Price Cap Plan shall be for a period of three years from the effective date specified by the Commission in its Order approving this Agreement and Renewed Price Cap Plan, and shall continue until the Commission approves a renewed or revised Plan, or until the Commission terminates the existing Plan. Renewal or modification of the Renewed Price Cap Plan at the end of its term is subject to approval by the Commission. Notwithstanding anything contained in this Agreement to the contrary, until the Commission approves a renewed or revised Plan, or orders a termination of the Renewed Plan after its term, the Renewed Plan in its entirety shall remain in effect.

**18. EXTENSION, REVISION AND TERMINATION OF THE PRICE CAP PLAN**

Qwest shall initiate extension, revision or termination of the Renewed Price Cap Plan by submitting an application to the Commission for review by the Commission, Staff, RUCO, and any other interested parties at least 9 months prior to the expiration of the Renewed Price Cap Plan. Qwest shall serve its application upon all Parties to this Settlement Agreement.

If Qwest's application is for an extension, revision or termination that would increase Arizona regulated revenues in aggregate by more than a de minimis amount, then Qwest shall file a rate case under A.A.C. R-14-2-103, at least 9 months prior to the expiration of the Renewed Price Cap Plan. The timeframes established herein for filing shall not alter Commission rules (A.A.C. R14-2-103) with respect to processing times. The procedural rules and timeframes established under A.A.C. R14-2-103 §§ 7 through 11 thereof shall apply.

If Qwest's application for extension, revision or termination of the Renewed Price Cap Plan does not increase regulated revenues in aggregate by more than a de minimis amount, then Qwest does not have to file a rate case under A.A.C. R14-2-103 and Qwest shall file its application at least 9 months prior to the expiration of the Renewed Price Cap Plan.

Qwest's application will contain the following information in addition to any other information required by rule or statute:

- a. A detailed statement of price and revenue changes effected during the initial term of the Renewed Price Cap Plan;
- b. A statement of the aggregate investment and retirements in plant, and associated depreciation for the preceding calendar year;
- c. A statement of the operating income and return on investment for the preceding calendar year; and
- d. Service quality comparative data during the term of the Renewed Price Cap Plan;
- e. Any proposed changes to the Renewed Price Cap Plan and the reasons therefore;
- f. Any change to the list of services included in the various Baskets;
- g. Such other information as Staff may request.

Further, Staff may request and Qwest shall provide such other additional information as Staff determines necessary for the analysis of Qwest's application.

**19. UNIVERSAL SERVICE**

Qwest shall withdraw its request for \$64 million of Arizona Universal Service Fund ("AUSF") support.

The Parties further agree that if the Federal Communications Commission ("FCC") or the Commission orders, adjusts or raises an assessment for the support of Universal Service during the term of the Renewed Price Cap Plan and until the

Commission approves a renewed or modified Plan or terminates the Renewed Price Cap Plan, the recovery of that assessment is not subject to the provisions of the Renewed Price Cap Plan. Qwest may pass through that assessment in the form of a surcharge(s) without filing a general rate case.

Any additional federal or state universal service funding received by Qwest in Years 1 through 3 of the Renewed Price Cap Plan will result in a pro-rata adjustment of the increased revenues available in Basket 2 and 3 of the Renewed Price Cap Plan for the term of the Renewed Price Cap Plan and until such time as the Commission approves a renewed or modified Plan, or terminates the Renewed Price Cap Plan.

**20. IMPUTATION AND PRICE FLOOR PROCEEDING**

The Parties agree that the Commission's current rules on imputation and price floors are not in need of amendment at this time. The Parties further agree to accept the imputation and price floor provisions of the current Price Cap Plan for purposes of this Renewed Price Cap Plan. The generic proceeding ordered in the last case on this issue shall be terminated (Docket No. RT-00000J-01-0407).

**21. DEREGULATION OF VOICE MAIL SERVICE AND BILLING AND COLLECTION SERVICES**

The Parties agree that Qwest has met the criteria for deregulation of both Voice Mail Service and Billing and Collection Services. Notwithstanding, the Commission shall have the right to take measures, as appropriate and necessary, to ensure that Voice Messaging Service and Billing and Collection Services are offered in a non-discriminatory manner and that the services do not result in the evasion or frustration of the Commission's regulation of telephone service.

**22. PROMOTIONAL OFFERINGS**

The Parties agree that Qwest shall be allowed to introduce promotional offerings upon one (1) day prior notice to the Commission, as specified in the tariff filed in Qwest's application in this proceeding. Multiple extensions of promotional offerings

shall be permitted upon one (1) day prior notice to the Commission, provided that Qwest makes such promotional offers available for resale as required by FCC regulation.

**23. PACKAGED OFFERINGS**

The Parties agree that Qwest may include packaged offerings in Basket 3 under the Renewed Price Cap Plan subject to the conditions that each of the individual elements of packages must be available on an ala carte basis in Basket 1, 2 or 3 of the Renewed Price Cap Plan, and that the price of a package shall be no higher than the sum of the highest price of its a la carte prices of the services available for the package.

**24. NOTICE TO CONSUMERS**

Following Commission approval of the Settlement Agreement and Renewed Price Cap Plan, Qwest will provide, in two subsequent bills sent to Qwest's Arizona consumers, information regarding the services for which rates and charges may change without Commission approval. The first insert shall be sent by Qwest to its Arizona consumers in their first bill cycle issued 60 days following approval of the Renewed Price Cap Plan. The second insert shall be sent by Qwest to its Arizona consumers in their bills issued 120 days following approval of the Renewed Price Cap Plan. The bill inserts shall also inform Qwest's customers that essential basic services which are part of any packaged offering remain available and can be obtained by the customer as a separate offering. The bill inserts shall also inform consumers that the Arizona Corporation Commission remains the regulatory agency responsible for overseeing the terms, conditions, rates and quality of intrastate telecommunications service provided by Qwest and that complaints regarding any of Qwest's regulated services should be directed to the Commission's Consumer Services Section. The bill inserts will be prepared in a form, content, and manner acceptable to the Commission's Utilities Division Staff.

In connection with the implementation of this Agreement, Qwest will within 30 days of the Commission's Order approving this Agreement, prepare training materials for customer service representatives to use in interfacing with customers in conjunction with

the implementation of the Renewed Price Cap Plan. The training materials shall provide that Qwest shall notify customers at the time a package is ordered or changed if the customer's particular choice of services and/or features could be purchased at a lower price on an a la carte basis. Qwest shall prepare copies of such training materials in a form, content and manner acceptable to the Commission's Utilities Division Staff.

Further, within 60 days from the effective date of the Renewed Price Cap Plan, Qwest will send a memorandum to organizations specified by DES that assist persons with physical limitations describing the Special Needs Program which provide an exemption from directory assistance charges for persons with physical limitations that prevent them from using printed telephone directories. Qwest shall ensure that its memorandum is in a form, content and manner acceptable to the Commission's Utilities Division Staff.

Qwest will also provide a public service advisory to the print and electronic media for use in reinforcing the availability of the Special Needs exemption to qualifying customers. The public service advisory shall be issued within 60 days from the entry of the Order approving the Settlement Agreement. Qwest shall prepare a copy of such public service advisory in a form, content and manner acceptable to the Commission's Utilities Division Staff.

Finally, pursuant to Decision No. 66230<sup>4</sup>, Qwest will remain obligated through its contractual arrangements with DEX to continue to provide information in the red "Phone Service Pages" highlighting the availability of the Special Needs Program.

## **25. FILING OF REVISED TARIFFS AND PRICE LISTS**

Except as otherwise provided in this Agreement, within thirty (30) days of the entry of the Commission's Order approving the Renewed Price Cap Plan, Qwest shall file

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<sup>4</sup> In the Matter of Qwest Communications International, Inc.'s, Qwest Services Corporation's, and Qwest Corporation's Notice of Sale, Request for Waiver, or Application for Approval of the Sale of the Arizona Operations of Qwest Dex, Inc., Docket No. T-01051B-02-0666, Decision No. 66230, (September 8, 2003).

revised tariffs and price lists consistent with the Commission's Decision, the Settlement Agreement and the Renewed Price Cap Plan.

Consistent with Commission rules, Qwest agrees to file, within 30 days of entry of the Commission's Order approving the Settlement Agreement, revised price lists containing minimum-maximum ranges for all services contained in Baskets 2 and 3.

**26. QWEST COMPETITIVE ZONE PROPOSAL**

Qwest shall withdraw its proposal for competitive zones in Arizona. Qwest further agrees that it will not renew its request for competitive zones during the term of the Renewed Price Cap Plan.

**27. ELIMINATION OF CERTAIN REPORTING REQUIREMENTS**

Qwest shall no longer be required to file the deposit calculation report or the PAL line report as currently required under Decision Nos. 57911 and 55817.

**28. DISMISSAL OF CONSOLIDATED APPEALS**

There are two pending court appeals of Commission decision Nos. 66772 and 67047, which are collectively referred to here as the "Consolidated Appeals".<sup>5</sup> Qwest will dismiss the Consolidated Appeals following the issuance of a Commission Order approving this Settlement Agreement, provided that (i) the period of time set forth in A.R.S. § 40-253 for the filing of an application for rehearing has expired and no individual or entity has filed any such application, or (ii) if there has been an application for rehearing, it has been fully denied by the Commission or by operation of law. The Parties acknowledge and agree that, in the event of a court order or subsequent Commission order disturbing the Settlement Agreement's resolution of the April 1, 2005 productivity adjustment, dismissal of the Consolidated Appeals by Qwest as provided by this section shall not constitute a waiver of Qwest's right to contend that no April 1, 2005

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<sup>5</sup> The appeals pending are (i) Qwest's consolidated appeals of Commission Decision Nos. 66772 and 67047 now pending with the Arizona Court of Appeals, Division One [No. 1 CA-CC 04-0001 and No. 1 CA-CC 04-0002], and (ii) Qwest's appeal of Decision Nos. 66772 and 67047 now pending before the Superior Court of Arizona [No. CV2004-010010].

productivity adjustment was required under the prior Price Cap Plan (or Decision No. 63487).

**29. GENERAL RATE CHANGE MORATORIUM**

No Party shall file an application for, or complaint seeking, an adjustment in Qwest's general rates and charges that are effective while the Renewed Price Cap Plan is in effect and continuing until the Commission approves a renewed or modified Plan, or terminates the existing Plan ("General Rate Change Moratorium"). This General Rate Change Moratorium Period shall apply to each additional extension or revision of the Renewed Price Cap Plan. This Moratorium does not preclude a challenge brought under applicable federal or state regulations regarding the lawfulness of any wholesale or competitive rate or preclude a challenge to an ordered rate on the grounds that it does not comply with the Price Cap Plan or with A.A.C. R14-2-1109 or R14-2-1310.

**30. COMMISSION JURISDICTION**

Nothing herein is intended to in anyway limit or restrict the Commission's jurisdiction or authority over Qwest as provided for under the Arizona Constitution, the Arizona Revised Statutes and current Commission rules. Further, unless expressly and specifically waived herein, Qwest shall continue to comply with all Commission rules and orders.

**31. COMMISSION EVALUATION OF THIS PROPOSED SETTLEMENT**

a. The Parties agree that all currently filed testimony and exhibits shall be accepted into the Commission's record as evidence.

b. The Parties recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.

c. This Agreement shall serve as a procedural device by which the Parties will submit their proposed settlement of Qwest's pending application for renewal for its Price Cap Plan, Docket T-01051B-03-0454, to the Commission. Except for Sections 34,

35 and 37, this Agreement will not have any binding force or effect until its provisions are adopted as an order of the Commission.

d. The Parties further recognize that the Commission will independently consider and evaluate the terms of this Agreement.

e. If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute commission approval of the Agreement. Thereafter, the Parties shall abide by the terms as approved by the Commission.

**32. COMMISSION APPROVAL**

If the Commission fails to issue an order adopting all material terms of this Agreement, any or all of the Parties may withdraw from this Agreement, and such Party or Parties may pursue their respective positions on Qwest's application without prejudice. For the purposes of this Agreement, whether a term is material shall be left to the discretion of the Party choosing to withdraw from the Agreement.

**33. NONSEVERABILITY CLAUSE**

Each of the terms of the Definitive Text of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

**34. PRIVILEGED AND CONFIDENTIAL COMMUNICATIONS**

All negotiations relating to or leading to this Agreement are privileged and confidential, and no party is bound by any position asserted in negotiations, except to the extent expressly stated in this Agreement. As such, evidence of conduct or statements made in the course of negotiation of this Agreement are not admissible as evidence in any proceeding before the Commission, any other regulatory agency or any court.

**35. NO WAIVER OR ADMISSION**

a. This Agreement represents the Parties' mutual desire to compromise and settle disputed issues in a manner consistent with the public interest. Nothing in this Agreement shall be construed as an admission by any of the Parties that any of the positions taken by any Party in this proceeding is unreasonable or unlawful. In addition,

acceptance of this Agreement by any of the Parties is without prejudice to any position taken by any Party in these proceedings.

b. This case presents a unique set of circumstances and the parties have diverse interests. To achieve consensus for settlement, participants are accepting positions that, in any other circumstances, they may be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling unique issues presented in this case, is consistent with their long-term interests and with the broad public interest. The acceptance by any Party of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.

**36. COMPLETE AGREEMENT**

The “Definitive Text” of the Agreement shall be the text adopted by the Commission in an order that approves all material terms of the Agreement, including all modifications made by the Commission in its Order on this matter. Each of the terms of the Definitive Text of this Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable.

**37. DEFEND AND SUPPORT CLAUSE**

The Parties shall support and defend this Agreement before the Commission. If the Commission adopts an order approving all material terms of this Agreement, the Parties will also support and defend the Commission’s order before any court or regulatory agency in which it may be at issue.

**38. APPEALS AND CHANGE OF LAW**

The parties hereto believe that the Settlement Agreement and Renewed Price Cap Plan provided for herein are lawful and consistent with the Arizona Constitution and case law interpreting the Arizona Constitution. If the Arizona courts should ultimately find, in a final, nonappealable order, that the Renewed Price Cap Plan is unlawful, or there is other significant change in controlling federal and state law, the Parties shall review the

court decision or other change in law and discuss whether the Renewed Price Cap Plan can be modified to meet the order or change in law. Further, Qwest shall have no obligation to refund revenues collected during the period of time the Renewed Price Cap Plan is in effect. If the Parties are unable to reach an agreement on how to modify the Renewed Price Cap Plan, the matter shall be referred to the Commission for resolution. If the Commission decides to terminate the Renewed Price Cap Plan, the Commission shall at that time determine the appropriate method of regulation for Qwest.

DATED this 23<sup>rd</sup> day of August, 2005.

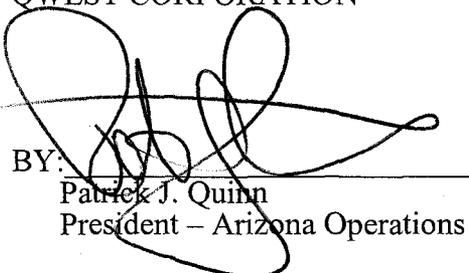
ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF

BY:

  
Ernest G. Johnson  
Director – Utilities Division

QWEST CORPORATION

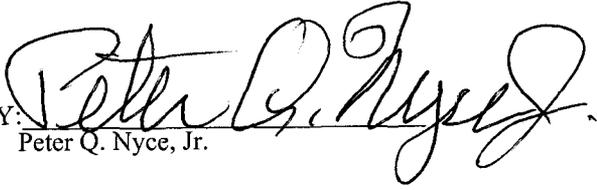
BY:

  
Patrick J. Quinn  
President – Arizona Operations

DEPARTMENT OF DEFENSE AND ALL OTHER FEDERAL  
EXECUTIVE AGENCIES

BY:

Peter Q. Nyce, Jr.

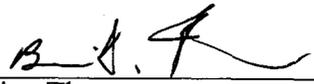
A handwritten signature in cursive script, reading "Peter Q. Nyce, Jr.", written over a horizontal line.

Regulated Subsidiaries of MCI, Inc.

BY:   
Thomas F. Dixon  
707 -17<sup>th</sup> Street, #4200  
Denver, Colorado 80202

Attorney for the Regulated Subsidiaries of MCI, Inc.

TIME WARNER TELECOM, OF ARIZONA, LLC.

BY:   
\_\_\_\_\_  
Brian Thomas  
Vice-President, Regulatory

COX ARIZONA TELCOM, L.L.C.

BY:   
\_\_\_\_\_  
Doug Garrett, Vice-President  
Regulatory Affairs, Western Region

ARIZONA UTILITY INVESTORS ASSOCIATION

BY: Walter W. MEEK  
WALTER W. MEEK

XO COMMUNICATIONS SERVICES, INC.

BY: *Heather Burnett Gold*

Heather Burnett Gold,  
Senior Vice President, Government Relations

**Renewed Price Cap Plan**

August 19, 2005

**(1) Baskets**

- a) Basket 1: Hard-Capped Retail Services
- b) Basket 2: Limited Pricing Flexibility Retail Services
- c) Basket 3: Flexibly-Priced Competitive Services
- d) Basket 4: Wholesale Services
- e) During the term of the Renewed Price Cap Plan, services will remain in their designated baskets. Qwest or any party may only seek to move services from one basket to another at the next renewal of the Price Cap Plan.

**(2) Basket 1: Hard-Capped Retail Services**

- a) A list of the individual services in Basket 1 is appended hereto as Appendix A-1.
- b) The individual services listed in Appendix A-1 are subject to a hard-cap on prices at existing price levels during the period of the Renewed Price Cap Plan.
- c) Changes to Terms and Conditions of services in Basket 1 shall be submitted to the Arizona Corporation Commission ("Commission") for review and approval. All services in Basket 1 shall continue to be offered statewide at the tariffed rates, unless or until the Commission orders retail geographic rate de-averaging, or unless Qwest demonstrates a cost difference for a new service on which to base the price difference.

**(3) Basket 2: Limited Pricing Flexibility Retail Services**

- a) A list of the individual services in Basket 2 is appended hereto as Appendix A-2.
- b) Increases in individual service prices for Basket 2 services shall not exceed 25 percent within any 12 month period.
- c) Individual service prices must exceed the service's Total Service Long Run Incremental Cost ("TSLRIC"), unless a different cost standard applicable to all telecommunications service providers is determined appropriate by the Commission. Individual service prices must also comply with the imputation requirements of A.A.C. R14-2-1310(C), as applicable.
- d) Changes to Terms and Conditions of services in Basket 2 shall be submitted to the Commission for review and approval. All services in Basket 2 shall continue to be offered statewide at the price list rates, unless or until the Commission orders retail geographic rate de-averaging, or unless Qwest demonstrates a cost difference for a new service on which to base the price difference.
- e) At least thirty days prior to a price increase for services in this Basket, Qwest will inform the Commission Staff of its planned increase and provide notice to affected customers.

- f) Price changes to Limited Pricing Flexibly Retail Services contained in Basket 2 shall comply with the requirements of A.A.C. R14-2-1109 and 1110.

**(4) Basket 3: Flexibly-Priced Competitive Services**

- a) This Basket includes only those services that have been accorded pricing flexibility or have been determined by the Commission to be competitive under A.A.C. R14-2-1108, and new services and new service packages offered by Qwest. Any new services and new service packages offered by Qwest shall be subject to the prior review and approval of the Commission, as provided in subparts e) and g) below. A list of services included in Basket 3 at the inception of this Renewed Price Cap Plan is appended hereto as Appendix A-3.
- b) Qwest shall provide notification to Staff of the new services/packages and their prices as provided in subpart (c) and (e) below.
- c) Any service in Baskets 1 and 2 may be the components of any new package that would be offered in Basket 3. Each Basket 1 and 2 service that is included in a package offered in Basket 3 shall continue to be offered independently in its current form within its designated Basket as of the commencement of the Renewed Price Cap Plan.
- d) Qwest may include packaged offerings in Basket 3 under the Renewed Price Cap Plan subject to the conditions that each of the individual elements of packages must be available on an a la carte basis in Basket 1, 2 or 3 of the Renewed Price Cap Plan. The price of a package shall be no higher than the sum of the highest prices of its a la carte prices of the services available for the package.
- e) Any new services proposed to be included in Basket 3, shall be submitted at least thirty days in advance of the proposed effective date of the tariff of the new package or service and shall be subject to Commission consideration as provided in A.R.S. §40-250. The Commission retains the right to reject any proposed classification or filing. The price of the new package or service shall exceed the TSLRIC of the package or service and comply with the imputation requirements of A.A.C. R14-2-1310 (C). For purposes of combining Basket 1 and/or Basket 2 services and Basket 3 services and setting a price floor for that package, the imputed price of 1FR shall be the applicable existing retail rate for 1FR.
  - i) Qwest shall be required to inform consumers, through its marketing of such new packages, including through its bill inserts, educational materials and customer representative scripts, that the services in Basket 1 and 2 remain available and can continue to be purchased as separate offerings.
  - ii) The mere repackaging of existing Basket 1 and 2 services does not create a "new service" or "new service package" for purposes of the Price Cap Plan.
- f) Individual service and package prices must provide revenues in excess of the service's or package's TSLRIC subject to the provisions of subpart e) above, unless a different cost standard applicable to all telecommunications service providers is determined appropriate by the Commission. The individual service and package prices must also comply with the imputation requirements of A.A.C. R14-2-1310(C).

- g) Existing services in Basket 3 shall continue to be offered to existing customers. Qwest must receive Commission approval for discontinuation or revision of services, terms and conditions.
- h) All services and packages in Basket 3 shall continue to be offered statewide at price list rates, unless or until the Commission orders retail geographic rate de-averaging, or unless Qwest demonstrates a cost difference for a new service on which to base the price difference.
- i) Price changes to Flexibly Priced Services contained in Basket 3 shall comply with the requirements of A.A.C. R14-2-1109 and 1110.

**(5) Basket 4: Wholesale Services**

- a) The services included in Basket 4 at the Renewed Price Cap Plan's inception include: Intrastate Carrier Switched Access, Discounted Wholesale Offerings, Unbundled Network Element (UNE) Offerings, Wholesale services such as PAL lines, and all other wholesale offerings unless specifically listed in Appendices A-1, A-2 and A-3 as included in either Basket 1, 2 or 3. A list of wholesale services, with the exception of UNEs included in Basket 4 at the renewed Price Cap Plan's inception, is contained in Appendix A-4.
- b) Basket 4 consists of wholesale services many of which are governed by their own specific pricing rules and will continue to be governed by such rules as interpreted by the Commission and the Courts, under this Price Cap Plan.
- c) UNEs and discounted Wholesale Offerings are priced based on the provisions of the Telecommunications Act of 1996 (1996 Act), FCC implementing regulations and Commission rules.
- d) Intrastate Switched Access Services are to be reduced by \$12.0 million upon implementation of the Renewed Price Cap Plan.
- e) Wholesale Service prices are capped at the tariffed or contract price levels for the term of the Renewed Price Cap Plan, or until contracts are re-negotiated, or the FCC, the Commission or the courts determine that other prices are appropriate
- f) New wholesale services are to be added to this Basket when those services are implemented.
- g) Nothing in this Price Cap Plan shall preclude the Commission from further deaveraging wholesale rates on a cost basis.

**(6) Allocation Of Price Change Opportunity Between Baskets 2 And 3**

- a) For Year 1, the overall net revenue increase resulting from price changes shall not exceed \$31.8 Million and shall be allocated as follows: any amount up to and not exceeding \$1.8 Million shall be allocated to Basket 2 (\$13.8 Million less \$12.0 Million for the April 1, 2005 reduction) and the remainder of the aggregate \$31.8 Million not used for Basket 2 shall be allocated to Basket 3.
- b) For Year 2 of the Renewed Price Cap Plan, and for subsequent years in which the Renewed Price Cap Plan is effective, the overall net revenue increase from price changes shall not exceed \$43.8 Million (\$31.8 Million revenue deficiency plus the \$12.0 Million Switched Access Charge reductions) and shall be allocated as follows: any amount up to and not exceeding \$13.8 Million shall be allocated to

Basket 2 and the remainder of the aggregate \$43.8 Million not used for Basket 2 shall be allocated to Basket 3.

**(7) Filing of Price Cap Data**

- a) Qwest will provide to Staff, in electronic form, an Excel spreadsheet that is a database of the prices and quantities of each service in Baskets 2 and 3 for which Qwest has proposed a price change during the term of the Renewed Price Cap Plan. The spreadsheet will include the formula for calculating the net change in revenues resulting from the price change for Baskets 2 and 3. The spreadsheet format should enable the Staff to instantaneously observe the effect of the price change.

A spreadsheet for each Basket will be updated with each price change throughout the year, cumulatively, in order to calculate the net change in revenues resulting from the price change. The calculated net change in revenues resulting from price changes for each Basket shall remain at or below the Basket's authorized additional revenue level as discussed above, in order for rate changes to be considered lawful upon filing. The spreadsheet shall be equipped with the formula that enables instantaneous verification that a price change by Qwest is within the prescribed cap.

- b) The net change in revenues resulting from price changes spreadsheet shall be updated each time a price change is implemented, reflecting the present and proposed prices applied to current annual sales quantities for each pricing change. Qwest regulated services provided as part of a bundle of regulated and non-regulated services shall be included in the spreadsheet.
- c) As individual price changes are filed, the Staff shall examine their effect on the affected Baskets' net change in revenues resulting from price changes, using the Baskets' net price change spreadsheet. If a price change results in a net change in revenues greater than the authorized additional revenue level, the price change does not comply with the Plan and shall not become effective.

**(8) Extension, Revision And Termination Of The Price Cap Plan**

- a) The Renewed Price Cap Plan shall have a term of three (3) years at the end of which Qwest may propose to either:
  - i) Continue the Renewed Price Cap Plan under the current terms and conditions;
  - ii) Revise the Renewed Price Cap Plan with proposed changes; or
  - iii) Terminate the Renewed Price Cap Plan.
- b) Qwest shall initiate extension, revision or termination of the Renewed Price Cap Plan by submitting an application to the Commission for review by the Commission, Staff, RUCO, and any other interested parties at least 9 months prior to the expiration of the Renewed Price Cap Plan. Qwest shall serve its application upon all Parties to this Settlement Agreement. If Qwest's application is for an extension, revision or termination that would increase Arizona regulated revenues in aggregate by more than a de minimis amount, then Qwest shall file a rate case

under A.A.C. R-14-2-103, at least 9 months prior to the expiration of the Renewed Price Cap Plan. The timeframes established herein for filing shall not alter Commission rules with respect to processing times. The procedural rules and timeframes established under A.A.C. R14-2-103 §§ 7 through 11 thereof shall apply.

- c) Whether and under what terms and conditions to continue, revise or terminate the Renewed Price Cap Plan may be determined by negotiations among Staff, Qwest, and other parties subject to the Commission's approval. Contested hearings on renewal of the plan may or may not occur depending on the disposition of negotiations among parties. Nothing herein, however, shall preclude any party from requesting a hearing on the Company's proposal to continue, revise or terminate the Renewed Price Cap Plan. Nothing herein shall affect the Commission's jurisdiction or authority to determine the most appropriate form of regulation for Qwest at the end of the 3 year term of the Renewed Price Cap Plan, including termination of the Plan.
- d) Extension, revision, or termination of the Renewed Price Cap Plan at the end of the initial term is subject to approval by the Commission. Until the Commission approves a continuation or modified Price Cap Plan, or orders a termination of the plan after its term, the Plan including the hard caps on Basket 1 services set forth in paragraph 2 b) shall continue in effect. [See Section 17 of the Settlement Agreement.]

**(9) Applicability of Commission Rules and Orders**

- a) Unless expressly provided herein, this Renewed Price Cap Plan is not intended to alter or eliminate the application of current Commission rules and orders to Qwest.
- b) Nothing in this Renewed Price Cap Plan is intended to change or modify in any way the imputation requirements contained in A.A.C. R14-2-1310(C).
- c) Nothing herein is intended to in any way restrict or modify the Commission's current authority or jurisdiction over Qwest as provided under Arizona law.

## Basket 1 Non-Recurring Charges

TIM CODE	SERVICE
E2.2.7	ASSIGNING & CHANGING TELEPHONE NUMBERS
E2.2.7RSR	ASSIGNING & CHANGING TELEPHONE NUMBERS (RESELLER REVENUE)
E10.4.7	BLOCKING FOR 10XXX1+/10XXX011+
E10.4.7RSR	BLOCKING FOR 10XXX1+/10XXX011+ (RESELLER REVENUE)
E10.7.2RSR	CALLER IDENTIFICATION BLK-PER LINE (RESELLER REVENUE)
E10.7.2	CALLER IDENTIFICATION BLOCKING-PER LINE
E3.1.7	DUAL SERVICE
E3.1.7RSR	DUAL SERVICE (RESELLER REVENUE)
E9.2.5	EMERGENCY TRANSPORT BACKUP(ETB)
E3.1.8	EXPRESS SERVICE
E5.2.4	FLAT RATE SERVICE
E5.2.4RSR	FLAT RATE SERVICE (RESELLER REVENUE)
E5.7.1	LISTING SERVICES (INCLUDES RESIDENCE NLT AND NPU)
E5.2.2	LOW USE OPTION SERVICE
E5.2.1	MEASURED SERVICE
E5.2.11	MISCELLANEOUS BUSINESS REVENUE DETAIL
E5.2.41RSR	MISCELLANEOUS RESIDENCE REVENUE DETAIL
E3.1.1	NONRECURRING CHARGES
E2.3.2	RETURNED CHECK CHARGE
E5.2.5.A	SERVICE STATIONS
E5.2.6	TELEPHONE ASSISTANCE PROGRAMS
E2.2.10	TEMPORARY SUSP OF SVR-CUST INITIATED
E2.2.10RSR	TEMPORARY SUSP OF SVR-CUST INITIATED (RESELLER REVENUE)
E2.2.9	TERMINATION OF SERVICE-CMPNY INITIATED
E2.2.9RSR	TERMINATION OF SERVICE-CMPNY INITIATED (RESELLER REVENUE)
E10.4.4	TOLL RESTRICTION
E10.4.4RSR	TOLL RESTRICTION (RESELLER REVENUE)
E9.2.1	UNIVERSAL EMERGENCY NUMBER SERVICE-911
E9.2.1R	UNIVERSAL EMERGENCY NUMBER SERVICE-911(REVENUE)
E2.2.1R	APPLICATION FOR SERVICE(REVENUE)
E10.10.8	DISASTER RECOVERY SERVICES

## Basket 1 Recurring Charges

TJM CODE	SERVICE
E10.4.7	BLOCKING FOR 10XXX1+/10XXX011+
E10.4.7RSR	BLOCKING FOR 10XXX1+/10XXX011+ (RESELLER REVENUE)
E10.10.8	DISASTER RECOVERY SERVICES
E9.2.5	EMERGENCY TRANSPORT BACKUP (ETB)
E5.2.4	FLAT RATE SERVICE
E5.2.4RSR	FLAT RATE SERVICE (RESELLER REVENUE)
E5.2.4R	FLAT RATE SERVICE (REVENUE)
E5.7.1	LISTING SERVICES (INCLUDES RESIDENCE NLT AND NPU)
E5.7.1RSR	LISTING SERVICES (RESELLER REVENUE)
E5.1.6	LOCAL SERVICE INCREMENTS
E5.1.6RSR	LOCAL SERVICE INCREMENTS (RESELLER REVENUE)
E5.2.2	LOW USE OPTION SERVICE
E10.4.4IR	MISCELLANEOUS BUSINESS REVENUE DETAIL
E10.4.4IR	MISCELLANEOUS RESIDENCE REVENUE DETAIL
E5.1.6	OBSOLETE CALLING CONNECTION PLANS
E5.2.5.A	SERVICE STATIONS
E5.2.6	TELEPHONE ASSISTANCE PROGRAMS
E10.4.4	TOLL RESTRICTION
E10.4.4RSR	TOLL RESTRICTION (RESELLER REVENUE)
E9.2.1	UNIVERSAL EMERGENCY NUMBER SERVICE-911
E9.2.1CBR	UNIVERSAL EMERGENCY NUMBER SERVICE-911 (CONTRACT BILLED REVENUE)
E5.1.6	LOCAL SERVICE INCREMENTS
E5.1.6RSR	LOCAL SERVICE INCREMENTS (RESELLER REVENUE)
E5.2.3I	MISCELLANEOUS BUSINESS REVENUE DETAIL
E5.1.6	OBSOLETE CALLING CONNECTION PLANS

## Basket 2 Non-Recurring Charges

TIM CODE	SERVICE
E5.4.5	BASIC EXCHANGE ENHANCEMENT
E5.4.9	CALLER IDENTIFICATION - BULK
E25.1	CUSTOMZD SVC EQUIP OR SVC ARRANGEMENTS
E5.4.3	CUSTOM CALLING SERVICES
E15.1	DIGITAL SWITCHED SERVICES(DSS)
E5.3.4	DIRECT-INWARD-DIALING(DID) SERVICE
E5.3.4RSR	DIRECT-INWARD-DIALING(DID) SERVICE (RESELLER REVENUE)
E5.2.4	FLAT RATE SERVICE
E5.2.4RSR	FLAT RATE SERVICE (RESELLER REVENUE)
E5.3.3	FLAT RATE TRUNKS
E5.4.11	HUNTING SERVICE
E5.4.11R	HUNTING SERVICE(REVENUE)
E5.8.4	INTERCEPT SERVICES
E5.7.1	LISTING SERVICES (EXCLUDES RESIDENCE NLT AND NPU)
E5.2.2	LOW USE OPTION SERVICE
E10.10.1	MESSAGE DELIVERY SERVICE
E10.10.2	MESSAGE WAITING INDICATION
E10.10.2RSR	MESSAGE WAITING INDICATION (RESELLER REVENUE)
E10.10.2I	MISCELLANEOUS BUSINESS REVENUE DETAIL
E5.10I	MISCELLANEOUS RESIDENCE REVENUE DETAIL
E9.4.6	NEXTCONNECTS
E5.4.19	NUMBER FORWARDING
E105.3.5	OBS IDENTIFIED OUTWARD DIALING(IOD)
E105.4.3	OBSOLETE CUSTOM CALLING SERVICES
E105.3.4	OBSOLETE DID SVC
E105.7.1	OBSOLETE LISTINGS
E105.2.5	OBSOLETE LOCAL SERVICE OPTIONS
E5.4.8	OPEN SWITCH INTERVAL PROTECTION(OSIP)
E5.10	RESALE/SHARING OF COMPANY SERVICES
E5.7.7	U S WEST CUSTOM NUMBER SERVICE
E5.4.10	US WEST CUSTOM RINGING SERVICE
E109.2.3	OBSOLETE EMGNCY ALARM AND REPORTING SVC
E105.10	OBSOLETE RESALE/SHARING OF COMPANY SVC
E10.4.1RSR	CUSTOMNET SERVICE (RESELLER REVENUE)
E10.3.2	MULTIPLE LINE CONTROL ARRANGEMENT
E10.4.1	CUSTOMNET SERVICE

## Basket 2 Recurring Charges

TIM CODE	SERVICE
E5.4.5	BASIC EXCHANGE ENHANCEMENT
E5.4.5RSR	BASIC EXCHANGE ENHANCEMENT (RESELLER REVENUE)
E5.4.9	CALLER IDENTIFICATION - BULK
E25.1	CUSTOMZD SVC EQUIP OR SVC ARRANGEMENTS
E5.4.3	CUSTOM CALLING SERVICES
E5.4.3RSR	CUSTOM CALLING SERVICES (RESELLER REVENUE)
E5.4.3R	CUSTOM CALLING SERVICES (USAGE REVENUE)
E15.1	DIGITAL SWITCHED SERVICES (DSS)
E15.1CBR	DIGITAL SWITCHED SERVICES (DSS) (CONTRACT BILLED REVENUE)
E15.1RSR	DIGITAL SWITCHED SERVICES (DSS) (RESELLER REVENUE)
E5.3.4	DIRECT-INWARD-DIALING (DID) SERVICE
E5.3.4RSR	DIRECT-INWARD-DIALING (DID) SERVICE (RESELLER REVENUE)
E5.2.4	FLAT RATE SERVICE
E5.2.4RSR	FLAT RATE SERVICE (RESELLER REVENUE)
E5.3.3	FLAT RATE TRUNKS
E5.3.3RSR	FLAT RATE TRUNKS (RESELLER REVENUE)
E5.4.11	HUNTING SERVICE
E5.4.11RSR	HUNTING SERVICE (RESELLER REVENUE)
E5.7.1	LISTING SERVICES (EXCLUDES RESIDENCE NLT AND NPU)
E5.7.1RSR	LISTING SERVICES (RESELLER REVENUE)
E5.2.2	LOW USE OPTION SERVICE
E5.2.2	LOW USE OPTION SERVICE (USAGE REVENUE)
E5.4.5	MARKET EXPANSION LINE (MEL) SERVICE (RESELLER USAGE REVENUE)
E10.10.1	MESSAGE DELIVERY SERVICE
E10.10.2	MESSAGE WAITING INDICATION
E10.10.2RSR	MESSAGE WAITING INDICATION (RESELLER REVENUE)
E10.10.2I	MISCELLANEOUS BUSINESS REVENUE DETAIL
E105.2.4I	MISCELLANEOUS RESIDENCE REVENUE DETAIL
E10.3.2	MULTIPLE LINE CONTROL ARRANGEMENT
E9.4.6	NEXTCONNECTS
E5.4.19	NUMBER FORWARDING
E110.3.1	OBSOLETE ARRGMTS NIGHT,SUNDAY,HLDY SVC
E110.3.1RSR	OBSOLETE ARRGMTS NIGHT,SUNDAY,HLDY SVC (RESELLER REVENUE)
E105.4.3	OBSOLETE CUSTOM CALLING SERVICES
E105.4.3RSR	OBSOLETE CUSTOM CALLING SERVICES (RESELLER REVENUE)
E125.1	OBSOLETE CUSTOMIZED SVCS OF EQUIP
E105.3.4	OBSOLETE DID SVC
E105.7.1	OBSOLETE LISTINGS
E105.7.1RSR	OBSOLETE LISTINGS (RESELLER REVENUE)
E105.2.5	OBSOLETE LOCAL SERVICE OPTIONS
E110.8	OBSOLETE NETWORK CONNECTING ARRGMTS
E110.4.2	OBSOLETE TOLL DIVERSION
E5.10	RESALE/SHARING OF COMPANY SERVICES
E5.10R	RESALE/SHARING OF COMPANY SERVICES (USAGE REVENUE)
E5.7.7	U S WEST CUSTOM NUMBER SERVICE
E5.4.10	US WEST CUSTOM RINGING SERVICE
E5.4.10RSR	US WEST CUSTOM RINGING SERVICE (RESELLER REVENUE)
E105.3.5	E105.3.5
E5.2.4RSR	E5.2.4RSR
E5.4.3R	E5.4.3R
E5.7.11	MISCELLANEOUS RESIDENCE REVENUE DETAIL
E109.2.3	OBSOLETE EMGNCY ALARM AND REPORTING SVC
E105.10	OBSOLETE RESALE/SHARING OF COMPANY SVC
E5.7.1	LISTING SERVICES
E5.7.1RSR	LISTING SERVICES (RESELLER REVENUE)
E10.4.1	CUSTOMNET SERVICE
E10.4.1RSR	CUSTOMNET SERVICE (RESELLER REVENUE)
E105.10RSR	OBSOLETE RESALE/SHARING OF COMPANY SVC (RESELLER REVENUE)

## Basket 3 Non-Recurring Charges

TIM CODE	SERVICE
C7.1.2	800 SERVICE
C7.1.3	800 SERVICELINE OPTION
Q4.1.13	ADDITIONAL ENGINEERING AND LABOR CHGS
Q6.2.5	AUDIO SERVICE
C10.14.1	CALL DATA COLLECTION AND TRANS SERVICE
C6.3.18	CALLING CONNECTION PLANS
C9.1.17	CENTREX 21 SERVICE
C9.1.17RSR	CENTREX 21 SERVICE (RESELLER REVENUE)
C9.1.17CBR	CENTREX 21 SERVICE(CONTRACT BILLED REVENUE)
C9.1.16	CENTREX PLUS SERVICE
C9.1.18	CENTREX PRIME SERVICE
C9.1.18CBR	CENTREX PRIME SERVICE(CONTRACT BILLED REVENUE)
C9.1.13	CENTRON CUSTOM SERVICE
C9.4.5	CO - AUTO CALL DISTRIBUTION(CO-ACD)
E10.5.2	CODE BILLING
Q4.5	COMMANDALINK-NTWK RECONFIGURATION SVC
Q5.3	CUSTOM SERVICE ARRANGEMENTS
C9.1.7	CUSTOMZD CALL MGMT SVCS/CENTRON I
C9.1.7RSR	CUSTOMZD CALL MGMT SVCS/CENTRON I (RESELLER REVENUE)
Q4.1.2	DESIGN CHANGE
Q4.1.5	DESIGN LAYOUT REPORT(DLR)
Q6.2.10	DIGITAL DATA SERVICE
Q4.1.17	DISPATCH CHARGE
Q4.1.17RSR	DISPATCH CHARGE (RESELLER REVENUE)
Q6.2.8	EXCHANGE SERVICE EXTENSIONS
C3.1.9	EXPRESS CHANGE CHARGES
Q4.3.2	FACILITIES PROTECTION-SPECIAL FAC RTG
Q6.2.7	FOREIGN CENTRAL OFFICE SERVICE
Q6.2.7RSR	FOREIGN CENTRAL OFFICE SERVICE (RESELLER REVENUE)
Q6.2.6	FOREIGN EXCHANGE SERVICE
Q6.2.6RSR	FOREIGN EXCHANGE SERVICE (RESELLER REVENUE)
E5.2.8	HOME BUSINESS LINE(HBL) SERVICE
C14.4	INDIVIDUAL CASE ISDN SERVICE
C14.4CBR	INDIVIDUAL CASE ISDN SERVICE(CONTRACT BILLED REVENUE)
C15.4	INTEGRATED T-1 SERVICE
Q6.2.4	LOCAL AREA DATA SERVICE(LADS)
Q6.2.1	LOW-SPEED DATA SERVICE
Q4.1.10	MAINTENANCE OF SERVICE
E5.4.4	MARKET EXPANSION LINE(MEL) SERVICE
E5.4.4RSR	MARKET EXPANSION LINE(MEL) SERVICE (RESELLER REVENUE)
ACS8.5.1	MEGABIT SERVICES
ACS8.5.11	MISCELLANEOUS BUSINESS REVENUE DETAIL
ACS8.5.11	MISCELLANEOUS RESIDENCE REVENUE DETAIL
C13.2.1	NETWORK PREMISES WORK CHARGES
Q3.2.2	NONRECURRING CHARGES
Q105.2.3	OBS DATAPHONE SELECT-A-STATION(DSAS)
E105.9.2	OBS PACKAGES NOT ASSOC/BASIC EXCHANGE SVC
E105.9.1	OBS PCKG ASSOC/BASIC EXCH SVC LISTING
E105.9.1RSR	OBS PCKG ASSOC/BASIC EXCH SVC LISTING (RESELLER REVENUE)
Q105.2.9	OBS TELEPHONE ANSWERING SERVICE
E120.5	OBSOLETE 800 PAGELINE SERVICE
E109.1.6	OBSOLETE AIRPORT INTERCOMM SERVICE
C109.1.16	OBSOLETE CENTREX PLUS SERVICE
C109.1.1	OBSOLETE CENTREX SERVICE
C109.1.7	OBSOLETE CUSTMZD MGMT SVCS/CENTRON 1
E105.4.14	OBSOLETE CUSTOM SOLUTIONS
Q105.2.10	OBSOLETE DATAPHONE DIGITAL SERVICE

## Basket 3 Non-Recurring Charges

TIM CODE	SERVICE
E109.1.2	OBSOLETE ESS SERVICE
C106.3.1	OBSOLETE METROPO PREFD AREA CLNG SVC
C109.1.10	OBSOLETE OPTIONAL FEATURES
C109.5.3	OBSOLETE SCOOPLINE SERVICE
E105.4.17	OBSOLETE SELECT CALL ROUTING SERVICE
Q105.2.2	OBSOLETE SERIES 5000 CHANNELS
C115.2	OBSOLETE SWITCHNET 56 SERVICE
C9.1.10	OPTIONAL SERVICE FEATURES
C7.1.1	OUTWARD WATS
E5.9.1	PACKAGES ASSOC/BASIC EXCHANGE SERVICE
E5.9.1CBR	PACKAGES ASSOC/BASIC EXCHANGE SERVICE (CONTRACT BILLED REVENUE)
E5.9.1RSR	PACKAGES ASSOC/BASIC EXCHANGE SERVICE (RESELLER REVENUE)
E5.9.2	PACKAGES NOT ASSOC/BASIC EXCHANGE SVC
C13.2	PREMISES WORK CHARGES
C13.2RSR	PREMISES WORK CHARGES (RESELLER REVENUE)
C13.2R	PREMISES WORK CHARGES(REVENUE)
C14.3.1	PRIMARY RATE SERVICE
C14.3.1RSR	PRIMARY RATE SERVICE (RESELLER REVENUE)
C14.3.1CBR	PRIMARY RATE SERVICE(CONTRACT BILLED REVENUE)
Q4.4	PROTECTN SVC HIGH VOLTAGE ENVIRONMENTS
C9.8.2	SCAN-ALERT SERVICE
E5.2.5.D	SECRETARIAL ANSWERING SERVICE
E5.2.5.DRSR	SECRETARIAL ANSWERING SERVICE (RESELLER REVENUE)
Q6.2.15	SELF-HEALING NETWORK SERVICE(SHNS)
Q6.2.12	SIMULTANEOUS VOICE DATA SERVICE
C14.2.1	SINGLE LINE SERVICE
C14.2.1RSR	SINGLE LINE SERVICE (RESELLER REVENUE)
C14.2.1CBR	SINGLE LINE SERVICE(CONTRACT BILLED REVENUE)
SPEC.ASSM	SPECIAL ASSEMBLY(CONTRACT BILLED REVENUE)
E5.2.5.E	STAND-BY LINE SERVICE
Q4.6	TELECOM SVC PRIORITY(TSP) SYSTEM
Q6.2.9	TELEPHONE ANSWERING SERVICE
Q4.1.16	TESTING CHARGES
C10.14.2	TRACKLINE PLUS SERVICE
C10.10.4	TRAFFIC DATA REPORT SERVICE(TDRS)
Q5.2.13	U S WEST DS1 SERVICE
Q6.2.13RSR	U S WEST DS1 SERVICE (RESELLER REVENUE)
Q6.2.13	U S WEST DS1 SERVICE (TOTALS FOR ALL CONTRACT PERIODS)
Q6.2.14	U S WEST DS3 SERVICE (TOTALS FOR ALL CONTRACT PERIODS)
E15.3	UNIFORM ACCESS SOLUTION SERVICE
E9.4.4	UNIFORM CALL DISTRIBUTION
Q6.2.2	VOICE GRADE SERVICE
Q6.2.2RSR	VOICE GRADE SERVICE (RESELLER REVENUE)
E109.1.10	OBSOLETE OPTIONAL FEATURES
E105.4.15	OBSOLETE CUSTOM SOLUTIONS
Q21.4.1	SWITCHED ACCESS SERVICE VIRTUAL EI

## Basket 3 Recurring Charges

TIM CODE	SERVICE
C7.1.2	800 SERVICE
C7.1.3	800 SERVICELINE OPTION
Q6.2.5	AUDIO SERVICE
Q6.2.5CBR	AUDIO SERVICE (CONTRACT BILLED REVENUE)
C13.4	BUSINESS MAINTENANCE PLANS
C10.14.1	CALL DATA COLLECTION AND TRANS SERVICE
C9.1.17	CENTREX 21 SERVICE
C9.1.17CBR	CENTREX 21 SERVICE (CONTRACT BILLED REVENUE)
C9.1.17RSR	CENTREX 21 SERVICE (RESELLER REVENUE)
C9.1.16	CENTREX PLUS SERVICE
C9.1.16CBR	CENTREX PLUS SERVICE (CONTRACT BILLED REVENUE)
C9.1.18	CENTREX PRIME SERVICE
C9.1.18CBR	CENTREX PRIME SERVICE (CONTRACT BILLED REVENUE)
C9.1.13	CENTRON CUSTOM SERVICE
C9.1.13CBR	CENTRON CUSTOM SERVICE (CONTRACT BILLED REVENUE)
C9.4.5	CO - AUTO CALL DISTRIBUTION (CO-ACD)
E10.5.2	CODE BILLING
Q4.5	COMMANDALINK-NTWK RECONFIGURATION SVC
Q5.3	CUSTOM SERVICE ARRANGEMENTS
C9.1.7	CUSTOMZD CALL MGMT SVCS/CENTRON I
C9.1.7RSR	CUSTOMZD CALL MGMT SVCS/CENTRON I (RESELLER REVENUE)
Q6.2.10	DIGITAL DATA SERVICE
Q6.2.10RSR	DIGITAL DATA SERVICE (RESELLER REVENUE)
E15.3	DIGITAL SWITCHED SERVICES (DSS) (RESELLER REVENUE)
C6.2.4	DIRECTORY ASSISTANCE SERVICE
Q6.2.8	EXCHANGE SERVICE EXTENSIONS
Q6.2.8RSR	EXCHANGE SERVICE EXTENSIONS (RESELLER REVENUE)
Q4.3.2	FACILITIES PROTECTION-SPECIAL FAC RTG
Q6.2.7	FOREIGN CENTRAL OFFICE SERVICE
Q6.2.7RSR	FOREIGN CENTRAL OFFICE SERVICE (RESELLER REVENUE)
Q6.2.6	FOREIGN EXCHANGE SERVICE
Q6.2.6CBR	FOREIGN EXCHANGE SERVICE (CONTRACT BILLED REVENUE)
Q6.2.6RSR	FOREIGN EXCHANGE SERVICE (RESELLER REVENUE)
C6.3.17	GUARANTEED RATE CALLING CONNECTION (REVENUE)
C15.4	INTEGRATED T-1 SERVICE
C5.4.7	INTRACALL SERVICE
Q6.2.4	LOCAL AREA DATA SERVICE (LADS)
Q6.2.4CBR	LOCAL AREA DATA SERVICE (LADS) (CONTRACT BILLED REVENUE)
Q6.2.4RSR	LOCAL AREA DATA SERVICE (LADS) (RESELLER REVENUE)
Q6.2.1	LOW-SPEED DATA SERVICE
Q6.2.1CBR	LOW-SPEED DATA SERVICE (CONTRACT BILLED REVENUE)
Q6.2.1RSR	LOW-SPEED DATA SERVICE (RESELLER REVENUE)
E5.4.4	MARKET EXPANSION LINE (MEL) SERVICE
E5.4.4RSR	MARKET EXPANSION LINE (MEL) SERVICE (RESELLER REVENUE)
E5.4.4RSR	MARKET EXPANSION LINE (MEL) SERVICE (RESELLER USAGE REVENUE)
E5.4.4R	MARKET EXPANSION LINE (MEL) SERVICE (USAGE REVENUE)
ACS8.5.1	MEGABIT SERVICES
ACS8.5.1I	MISCELLANEOUS BUSINESS REVENUE DETAIL
ACS8.5.1IR	MISCELLANEOUS RESIDENCE REVENUE DETAIL
Q105.2.3	OBS DATAPHONE SELECT-A-STATION(DSAS)
E105.9.2	OBS PACKAGES NOT ASSOC/BASIC EXCHANGE SVC
E105.9.1	OBS PCKG ASSOC/BASIC EXCH SVC LISTING
E105.9.1RSR	OBS PCKG ASSOC/BASIC EXCH SVC LISTING (RESELLER REVENUE)
C106.2.5	OBS SPCL REVERSED CHG LD SERVICE
C106.2.5RSR	OBS SPCL REVERSED CHG LD SERVICE (RESELLER REVENUE)
Q105.2.9	OBS TELEPHONE ANSWERING SERVICE
E109.1.6	OBSOLETE AIRPORT INTERCOMM SERVICE

## Basket 3 Recurring Charges

TIM CODE	SERVICE
C106.3.18	OBSOLETE CALLING CONNECTION PLANS
C106.3.18RS	OBSOLETE CALLING CONNECTION PLANS (RESELLER REVENUE)
106.3.18	OBSOLETE CALLING CONNECTION PLANS (USAGE REVENUE)
C109.1.16	OBSOLETE CENTREX PLUS SERVICE
C109.1.16CB	OBSOLETE CENTREX PLUS SERVICE (CONTRACT BILLED REVENUE)
C109.1.1	OBSOLETE CENTREX SERVICE
C109.1.1R	OBSOLETE CENTREX SERVICE (REVENUE)
C109.1.12	OBSOLETE CENTRON 6 AND 30 SERVICE
C109.1.7	OBSOLETE CUSTMZD MGMT SVCS/CENTRON 1
E105.4.14	OBSOLETE CUSTOM SOLUTIONS
E105.4.14RS	OBSOLETE CUSTOM SOLUTIONS (RESELLER REVENUE)
Q105.2.10	OBSOLETE DATAPHONE DIGITAL SERVICE
E109.1.2	OBSOLETE ESS SERVICE
E105.6	OBSOLETE JOINT USER SERVICE
C106.3.1	OBSOLETE METROPO PREFD AREA CLNG SVC
C109.1.10	OBSOLETE OPTIONAL FEATURES
C109.5.3	OBSOLETE SCOOPLINE SERVICE
E105.4.17	OBSOLETE SELECT CALL ROUTING SERVICE
Q105.2.2	OBSOLETE SERIES 5000 CHANNELS
E105.4.15	OBSOLETE SINGLENUMBER SERVICE
E105.4.15R	OBSOLETE SINGLENUMBER SERVICE (USAGE REVENUE)
C115.2	OBSOLETE SWITCHNET 56 SERVICE
Q105.2.13	OBSOLETE U S WEST DS1 SERVICE
Q105.2.14	OBSOLETE VOICE GRADE SERVICE
C9.1.10	OPTIONAL SERVICE FEATURES
C9.1.10RSR	OPTIONAL SERVICE FEATURES (RESELLER REVENUE)
C7.1.1	OUTWARD WATS
E5.9.1	PACKAGES ASSOC/BASIC EXCHANGE SERVICE
E5.9.1RSR	PACKAGES ASSOC/BASIC EXCHANGE SERVICE (RESELLER REVENUE)
E5.9.1RI	PACKAGES ASSOC/BASIC EXCHANGE SERVICE (REVENUE)
E5.9.2	PACKAGES NOT ASSOC/BASIC EXCHANGE SVC
E5.9.2RSR	PACKAGES NOT ASSOC/BASIC EXCHANGE SVC (RESELLER REVENUE)
C14.3.1	PRIMARY RATE SERVICE
C14.3.1CBR	PRIMARY RATE SERVICE (CONTRACT BILLED REVENUE)
C14.3.1RSR	PRIMARY RATE SERVICE (RESELLER REVENUE)
Q4.4	PROTECTN SVC HIGH VOLTAGE ENVIRONMENTS
Q5.1.4CBR	RATE STABILIZED AND DISCOUNT PRICING (CONTRACT BILLED REVENUE)
Q5.1.4R	RATE STABILIZED AND DISCOUNT PRICING (REVENUE)
C13.3	RESIDENCE MAINTENANCE PLANS
C13.3R	RESIDENCE MAINTENANCE PLANS (REVENUE)
C9.8.2	SCAN-ALERT SERVICE
Q6.2.15	SELF-HEALING NETWORK SERVICE (SHNS)
Q6.2.12	SIMULTANEOUS VOICE DATA SERVICE
C14.2.1	SINGLE LINE SERVICE
C14.2.1CBR	SINGLE LINE SERVICE (CONTRACT BILLED REVENUE)
C14.2.1RSR	SINGLE LINE SERVICE (RESELLER REVENUE)
SPEC.ASSM	SPECIAL ASSEMBLY (CONTRACT BILLED REVENUE)
E5.2.5.DRSR	STAND-BY LINE (RESELLER REVENUE)
E5.2.5.E	STAND-BY LINE SERVICE
Q21.4.1	SWITCHED ACCESS SERVICE VIRTUAL EI
Q7.9.1	SWITCHED TRANSPORT
Q4.6	TELECOM SVC PRIORITY (TSP) SYSTEM
Q6.2.9	TELEPHONE ANSWERING SERVICE
Q6.2.9RSR	TELEPHONE ANSWERING SERVICE (RESELLER REVENUE)
C10.14.2	TRACKLINE PLUS SERVICE
C10.10.4	TRAFFIC DATA REPORT SERVICE (TDRS)
C6.2.1	TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE

## Basket 3 Recurring Charges

TIM CODE	SERVICE
Q6.2.13	U S WEST DS1 SERVICE
Q6.2.13CBR	U S WEST DS1 SERVICE (CONTRACT BILLED REVENUE)
U S WEST D	U S WEST DS1 SERVICE (RESELLER REVENUE)
Q6.2.14	U S WEST DS3 SERVICE
Q6.2.14CBR	U S WEST DS3 SERVICE (CONTRACT BILLED REVENUE)
Q6.2.14RSR	U S WEST DS3 SERVICE (RESELLER REVENUE)
E15.3CBR	UNIFORM ACCESS SOLUTION SERVICE (CONTRACT BILLED REVENUE)
E15.3RSR	UNIFORM ACCESS SOLUTION SERVICE (RESELLER REVENUE)
E9.4.4	UNIFORM CALL DISTRIBUTION
Q6.2.2	VOICE GRADE SERVICE
Q6.2.2CBR	VOICE GRADE SERVICE (CONTRACT BILLED REVENUE)
Q6.2.2RSR	VOICE GRADE SERVICE (RESELLER REVENUE)
Q6.2.2R	VOICE GRADE SERVICE (REVENUE)
C6.3.18	CALLING CONNECTION PLANS
SPEC.ASSM	SPEC.ASSM
E5.2.5.D	STAND-BY LINE
E109.1.10	OBSOLETE OPTIONAL FEATURES
E105.4.15	OBSOLETE SINGLENUMBER SERVICE
E5.2.8	HOME BUSINESS LINE (HBL) SERVICE
E120.5	OBSOLETE 800 PAGELINE SERVICE

## Basket 4 Non-Recurring Charges

TIM CODE	SERVICE
E20.4	500 ACCESS SERVICE
A12.3.3	ACCESS TESTING SERVICES
E5.4.13	ANSWER SUPERVISION - LINE SIDE
A12.1.1	CHARGES FOR ADDITIONAL ENGINEERING
A12.2.3	CHARGES FOR ADDITIONAL LABOR
A12.2.3RSR	CHARGES FOR ADDITIONAL LABOR (RESELLER REVENUE)
A15.8	COMMON CHANNEL SIGNALING NETWORK
A9.4	CREDIT ALLOWANCE FOR DA SERVICE
A5.2.2	DESIGN CHANGE CHARGE
E20.1	INTERCONNECTION
E20.6	INTERCONNECTION FOR TYPE 2
A6.8.2	LOCAL SWITCHING
A12.3.1	MAINTENANCE OF SERVICE PERIODS
A12.3.1IR	MISCELLANEOUS BUSINESS REVENUE DETAIL
A5.2.8IR	MISCELLANEOUS RESIDENCE REVENUE DETAIL
A12.3.2	PRESUBSCRIPTION
A12.3.2RSR	PRESUBSCRIPTION (RESELLER REVENUE)
A12.3.4	PROVISION OF ACCESS SVC BILLING INFORMATION
E5.5.7	PUBLIC ACCESS LINE SERVICE(PAL)
E5.5.7RSR	PUBLIC ACCESS LINE SERVICE(PAL) (RESELLER REVENUE)
A6.8.1	SWITCHED TRANSPORT
A16.3	WIDE AREA CALLING SERVICE

## Basket 4 Recurring Charges

TIM CODE	SERVICE
E20.4	500 ACCESS SERVICE
A12.3.3	ACCESS TESTING SERVICES
E5.4.13	ANSWER SUPERVISION - LINE SIDE
E5.4.13RSR	ANSWER SUPERVISION - LINE SIDE (RESELLER REVENUE)
A3.8R	CARRIER COMMON LINE ACCESS SERVICE (REVENUE)
A15.8	COMMON CHANNEL SIGNALING NETWORK
A9.6	DIRECTORY ASST SERVICE
E20.1	INTERCONNECTION
A6.8.4	INTERCONNECTION CHARGE
E20.6	INTERCONNECTION FOR TYPE 2
A6.8.2	LOCAL SWITCHING
A6.8.2R	LOCAL SWITCHING (REVENUE)
A12.3.7	MANAGED LONG DISTANCE
A6.8.3R	MESSAGE UNIT CREDIT (REVENUE)
UNKNOWN	MISCELLANEOUS RESIDENCE REVENUE DETAIL
E5.5.7	PUBLIC ACCESS LINE SERVICE (PAL)
E5.5.7	PUBLIC ACCESS LINE SERVICE (PAL) (RESELLER REVENUE)
A6.8.1	SWITCHED TRANSPORT
A16.3	WIDE AREA CALLING SERVICE

DEPRECIATION SUMMARY

CATEGORY	FIRST ELG YEAR	P.L. OR AYFR	FUTURE NET SALV.	REMAINING LIFE YEARS	PERCENT RESERVE	CURVE SHAPE PARAMETERS	DEPN RATES
2112 MOTOR VEHICLES			7.0	4.3	57.7		8.2
2112 PASSENGER CARS	1900	7.0	7.0			BELL CURVE GM 2.5	
2112 LIGHT TRUCKS	1900	9.0	7.0			BELL CURVE GM 2.5	
2112 HEAVY TRUCKS	1900	11.0	7.0			BELL CURVE GM 2.5	
2114 SPEC PURPOSE VEHICLES	1900	11.0	0.0	3.5	43.9	BELL CURVE GM 2.5	16.0
2115 GARAGE WORK EQUIP	1900	11.0	0.0	4.6	-17.2	BELL CURVE GM 2.5	25.5
2116 OTHER WORK EQUIP	1900	11.0	0.0	5.9	44.6	BELL CURVE GM 2.5	9.4
2121 BUILDINGS			0.0	21.0	27.6		3.4
2121 LARGE BUILDINGS	1900	40.0	0.0			BELL CURVE GM 3.0	
2121 OTHER BUILDINGS	1900	30.0	0.0			BELL CURVE GM 3.0	
2122 FURNITURE	1900	7.0	0.0	2.4	72.6	BELL CURVE GM 2.5	11.4
2123.1 OFFICE EQUIPMENT	1900	7.0	0.0	1.8	102.4	BELL CURVE GM 2.5	0.0
2123.2 COMPANY COMM EQUIP			0.0	2.8	92.3		2.8
2123.2 STAND ALONE	1900	7.0	0.0			BELL CURVE GM 3.0	
2123.2 PBX & KEY INTRASYSTEMS	1900	7.0	0.0			BELL CURVE GM 3.0	
2124 GEN PURPOSE CMPTR	1900	5.0	0.0	1.4	95.9	BELL CURVE GM 2.5	2.9
2212 DIGITAL SW EQUIP	1900	12.0	0.0	6.0	54.9	BELL CURVE GM 2.5	7.5
2220 OPERATOR SYSTEMS	1900	10.0	0.0	4.0	5.1	BELL CURVE GM 2.5	23.7
2231 RADIO SYSTEMS	1900	10.0	0.0	3.0	98.3	BELL CURVE GM 2.5	0.6
2232 CIRCUIT DDS	1900	9.0	0.0	3.7	90.2	BELL CURVE GM 2.5	2.6
2232 CIRCUIT DIGITAL	1900	11.0	0.0	5.4	60.6	BELL CURVE GM 2.5	7.3
2232 CIRCUIT ANALOG	1900	7.0	0.0	1.5	101.3	BELL CURVE GM 2.5	0.0
2362 OTHER TERM EQUIP	1900	8.0	0.0	4.1	56.4	BELL CURVE GM 1.0	10.6
2411 POLE LINES	1900	24.0	0.0	10.6	90.3	BELL CURVE GM 3.0	0.9
2421 AERIAL CABLE MET	1900	15.0	0.0	6.7	104.9	BELL CURVE GM 3.0	0.0
2421 AERIAL CABLE NON MET	1900	20.0	0.0	11.7	44.0	BELL CURVE GM 3.0	4.8
2422 UNDGRD CABLE MET	1900	15.0	0.0	5.7	83.5	BELL CURVE GM 3.0	2.9
2422 UNDGRD CABLE NON MET	1900	20.0	0.0	11.6	49.7	BELL CURVE GM 3.0	4.3
2423 BURIED CABLE MET	1900	20.0	0.0	10.2	71.9	BELL CURVE GM 3.0	2.8
2423 BURIED CABLE NON MET	1900	20.0	0.0	10.5	49.3	BELL CURVE GM 3.0	4.8
2424 SUB CABLE MET	1900	20.0	0.0	5.0	121.6	BELL CURVE GM 3.0	0.0
2424 SUB CABLE NON MET	1900	20.0	0.0	11.4	0.0	BELL CURVE GM 3.0	8.8
2426 INTRA BLDG CA MET	1900	20.0	0.0	8.2	78.3	BELL CURVE GM 3.0	2.6
2426 INTRA BLDG CABLE NON MET	1900	20.0	0.0	12.1	61.2	BELL CURVE GM 3.0	3.2
2431 AERIAL WIRE	1900	8.0	0.0	3.8	90.5	BELL CURVE GM 1.0	2.5
2441 CONDUIT SYSTEMS	1900	57.0	0.0	40.0	23.8	BELL CURVE GM 5.0	1.9

12/31/03 INTRASTATE AMORTIZATION AMOUNT (\$000)  
ANNUAL FIVE YEAR AMORTIZATION AMOUNT (\$000)

-\$145,979  
-\$29,196

## ATTACHMENT C

ELEMENT	TIM CODE	PRESENT CHARGE	PROPOSED CHARGE
CARRIER COMMON LINE - ORIGINATING MOU	A3.8R	0.006244	\$0.00000
CARRIER COMMON LINE - TERMINATING MOU	A3.8R	0.014153	\$0.00000
INTERCONNECTION CHARGE	A6.8.4	\$0.00245	\$0.00000

**ICB QWEST INTRASTATE DS1 PRIVATE LINE SERVICE AGREEMENT  
Tucson and Phoenix MSAs only**

This ICB Qwest Intrastate DS1 Service Agreement ("Agreement") is between \_\_\_\_\_ ("Customer") and Qwest Corporation ("Qwest") and is effective on the date Qwest signs it ("Effective Date"). Qwest will provide, and Customer will purchase, Qwest DS1 Private Line Service only in the Tucson and Phoenix Metropolitan Statistical Areas ("MSAs") under this Agreement ("Service").

**Filing Concurrence**

Qwest may be required to submit this Agreement and any subsequent addenda for Service to the Arizona Corporation Commission ("ACC") for approval because some terms in this Agreement are being offered on an individual case basis ("ICB"). The terms and conditions in the Rates and Termination Sections of this Agreement require filing with or approval by the ACC ("ICB Terms"). Although the general terms and conditions of this Agreement are effective on the Effective Date, the ICB Terms will not become effective until the filing and approval requirements for Arizona are fulfilled. Service will be offered in accordance with the applicable Tariff until the ICB Terms become effective. When approved by the ACC, Customer may add additional quantities of Services pursuant to the Service Changes Section under the same terms and conditions with no further filing required. In the event the ACC does not approve the Agreement, the parties will enter into good faith negotiations to mutually resolve the failure to receive the necessary approval. The Agreement for a particular Service remains in full force and effect for Service in all other jurisdictions.

**Tariff**

Any Qwest tariff, price list, price schedule, administrative guideline, and/or catalog (whether individually or together, "Tariff") applicable to the Service is incorporated into this Agreement by reference and made a part of the Agreement. Other than the ICB Terms in this Agreement the Service will be governed by: (a) the Tariff applicable to the Service; and (b) to the extent a comparable Tariff term or condition does not apply to the Service, the terms and conditions set forth in this Agreement. In the event of a conflict in any term or condition of any documents that govern the provision of the Service hereunder, the following order of precedence will apply in descending order of control: the ICB Terms; the Tariff; the other terms in this Agreement; and Qwest records.

**1. Description of Service.**

1.1 Qwest will provide Service up to the Standard Network Interface ("SNI") at Customer's premises. The SNI is that location where Qwest's protected network facilities end and Customer's inside wiring or network begins.

1.2 Service provides for the two-way transmission of 1.544 Megabits per second ("Mbit/s") on a point-to-point basis only. Service may be provisioned on copper, fiber, or other suitable facilities, at Qwest's discretion, and it may be used for the transmission of voice, data, and/or video signals. Service is available between: (a) two customer-designated premises; (b) a customer-designated premises and a Qwest serving wire center; or (c) Qwest serving wire centers. When Service is requested between two Qwest serving wire centers, Central Office Multiplexers ("COMs") must also be ordered for each serving wire center of the DS1 circuit, and Private Line Transport service must be ordered to connect each COM to the Customer's premises.

1.3 Customer understands and agrees that Qwest supplies Service as an intrastate, intraLATA telecommunications service, as defined by State and/or Federal Communications Commission ("F.C.C.") regulations, which are incorporated herein by this reference. It is Customer's responsibility to ensure that Customer uses Service as an intrastate, intraLATA telecommunications service consistent with such regulations. F.C.C. regulations permit interstate usage of Service if such usage does not exceed 10% of the total usage as certified by Customer. Customer is subject to the obligations and terms as detailed in Section 2.3.11 of Qwest's Arizona Competitive Private Line Transport Services Tariff for mixed interstate and intrastate service.

**2. Term.** This Agreement will commence on the Effective Date and it expires 36 months from the date Service is available to Customer, as evidenced by Qwest records ("Initial Term"). At least 60 calendar days, and no more than 120 calendar days, prior to the end of the Initial Term, Customer may notify Qwest in writing that it desires to renew this Agreement for one additional year ("One Year Extension"). This Agreement will continue automatically on a month-to-month basis ("MTM Period") after the expiration of the Initial Term if the Customer does not elect to extend the Agreement for the One Year Extension and after the expiration of the One Year Extension if that extension is elected by Customer. During the MTM Period, either party may terminate this Agreement upon 30 calendar days prior written notice.

**3. Service Ordered.**

3.1 Qwest will provide and maintain the Service at the locations and in the quantities documented in Qwest's records.

3.2 Qwest will notify Customer of the date Service ordered is available to Customer under this Agreement. In the event Customer is unable or unwilling to accept service at such time, the subject Service will be held available for Customer for a period not to exceed 30 business days from such date ("Grace Period"). If after this Grace Period, Customer still has not accepted Service Qwest may, at its sole discretion, after consultation with Customer either: (a) commence with regular monthly billing for the subject Service; or (b) cancel. If Customer: (c) cancels an order for Service prior to the date Service is available for use; or (d) is unable to accept Service during the Grace Period and Qwest cancels the Service at the end of the Grace Period, Qwest may charge Customer for any costs incurred by Qwest related to the provisioning of Service up through the date Service was made available to Customer.

**4. Payment.** Customer must pay Qwest all charges by the date on the invoice. Any amount not paid when due will be subject to a late charge as specified by the Tariff, or if there is no such late charge specified in the Tariff, the amount due will be subject to late interest at the lesser of the rate of 1½% per month or the highest rate permitted by applicable law. Customer must also pay Qwest any applicable Taxes assessed in connection with Customer's Service. "Taxes" means federal, state and local taxes, surcharges, and other similar charges. Qwest may reasonably modify the payment terms or require other assurance of payment based on Customer's

payment history or a material and adverse change in Customer's financial condition. The charges for Services under this Agreement, including any and all discounts to which Customer may be entitled, will be offered and charged to Customer independently from, and regardless of, Customer's purchase of any customer premises equipment or enhanced services from Qwest.

**5. Rates.** During the Initial Term and One Year Extension, if any, Customer will pay for Service the rates set forth in this Agreement provided that Customer has at least 40 Channel Terminations in service under this Agreement subject to the following:

(a) The rates set forth in this Agreement will apply during the first four months after the Effective Date of this Agreement ("Ramp Period") regardless of the number of Channel Terminations; provided, however, if Customer does not have 40 Channel Terminations in service under this Agreement at the end of the Ramp Period, then Customer must also pay Qwest an amount that is equal to the difference between the monthly recurring charges ("MRCs") charged during the Ramp Period and what the MRCs would have been during the Ramp Period by applying Qwest's then-current month to month rates.

(b) Except as set forth above in Section 5(a), during any month in which the Customer does not have at least 40 Channel Terminations in service under this Agreement and any MTM Period, Customer will pay for Service at Qwest's then-current month to month rates.

The rates set forth in this Agreement do not include Taxes. Qwest will inform Customer of its then-current rates for Service upon written request. The discounted rates set forth in this Agreement are in lieu of any other discounts to which Customer may be entitled for intrastate service and cannot be combined with any other offers or discounts.

**5.1 Channel Termination and Transport Mileage Charges.**

Monthly Recurring Charges				
	1 to 5 circuits at the same customer location	6 to 12 circuits at the same customer location	13 to 18 circuits at the same customer location	19+ circuits at the same customer location
Channel Termination Initial and Subsequent, per termination	\$108.00	\$108.00	\$108.00	\$108.00
0-8 mileage band - fixed	\$120.00	\$114.00	\$111.00	\$108.00
0-8 mileage band - per mile	\$11.00	\$10.45	\$10.18	\$9.90
8-25 mileage band - fixed	\$170.00	\$161.50	\$157.25	\$153.00
8-25 mileage band - per mile	\$15.00	\$14.25	\$13.88	\$13.50
25-50 mileage band - fixed	\$220.00	\$209.00	\$203.50	\$198.00
25-50 mileage band - per mile	\$17.00	\$16.15	\$15.73	\$15.30
50+ mileage band - fixed	\$220.00	\$209.00	\$203.50	\$198.00
50+ mileage band - per mile	\$17.00	\$16.15	\$15.73	\$15.30

**5.2 Rearrangement Charges.** The Service Rearrangement, per Channel Termination, non-recurring charge ("NRC") is \$40.32 if Customer submits an order to change the jurisdiction of the Service as described in Section 1.3 of this Agreement and Section 2.3.11 of Qwest's Arizona Competitive Private Line Transport Services Tariff.

**5.3 Other Charges.** Any other charges for Service not specified in this Agreement, including without limitation, charges for optional features and functions, charges for changes to Service, and NRCs for Channel Terminations and Transport Mileage, are set forth in the Tariff.

**6. Changes to Service.** Pursuant to the applicable Tariff, if any, Customer may move the physical location of all or part of the Service to another location within the same Qwest intrastate, intraLATA serving area, including within a building or among buildings. Customer will pay all of the then-current installation and other charges for any such move.

**7. Termination.**

**7.1** Either party may terminate Service and/or this Agreement in accordance with the applicable Tariff or for Cause. "Cause" means the failure of a party to perform a material obligation under this Agreement, which failure is not remedied: (a) in the event of a payment default by Customer, within five days of separate written notice from Qwest notifying Customer of such default (unless a different notice period is specified in the Tariff); or (b) in the event of any other material breach, within 30 days of written notice (unless a different notice period is specified in the Tariff or this Agreement). Customer will remain liable for charges accrued but unpaid as of the termination date. If during the first 12 months of service for a particular private line circuit, measured from the date the circuit is first made available for use under this Agreement ("Minimum Service Period") the applicable Service is terminated either by Qwest for Cause or by Customer for any reason other than Cause, Customer will pay all accrued and unpaid charges for the applicable Service provided

through the effective date of such termination plus a Termination Charge of 20% of the MRCs for the terminated Service (or any fraction thereof), multiplied by the number of months, or portion thereof, remaining in the Minimum Service Period.

**7.2** A Termination Charge will be waived when all of the following conditions are met: (a) Customer discontinues Service and signs a new service agreement(s) for any other Qwest-provided service(s); (b) the new service agreement(s) have a total value equal to or greater than 115% of the remaining prorated value of the existing agreement(s) (excluding any special construction charges, applicable nonrecurring charges, or previously billed but unpaid recurring and/or nonrecurring charges); (c) Customer places the orders to discontinue Service and establish new service at the same time; and (d) a new minimum service period goes into effect when the new service agreement term begins. The waiver does not apply to changes between regulated and unregulated or enhanced products and services.

**8. Interruptions to Service.** Tariff specifies the credit allowance due Customer, if any, for interruptions to Service which are not caused by Customer.

**9. Disclaimer Of Warranties.** EXCEPT AS SET FORTH IN THE TARIFF, THE SERVICE IS PROVIDED WITHOUT WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF TITLE, NONINFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NO ADVICE OR INFORMATION GIVEN BY QWEST, ITS AFFILIATES, AGENTS, OR CONTRACTORS OR THEIR RESPECTIVE EMPLOYEES WILL CREATE ANY WARRANTY. CUSTOMER ASSUMES TOTAL RESPONSIBILITY FOR USE OF THE SERVICE.

**10. Limitation of Liability.** NEITHER PARTY, ITS AFFILIATES OR CONTRACTORS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, RELIANCE, PUNITIVE OR CONSEQUENTIAL DAMAGES OR FOR ANY LOST PROFITS OR REVENUES OR LOST DATA OR COSTS OF COVER RELATING TO THE SERVICES OR THIS AGREEMENT, REGARDLESS OF THE LEGAL THEORY UNDER WHICH SUCH LIABILITY IS ASSERTED. CUSTOMER'S EXCLUSIVE REMEDIES FOR ANY AND ALL CLAIMS RELATED TO THE SERVICE WILL BE LIMITED TO: (A) THOSE REMEDIES SET FORTH IN THE INTERRUPTIONS TO SERVICE SECTION; OR (B) IF SUCH SECTION DOES NOT APPLY, THE TOTAL MRCs PAID, OR PAYABLE, BY CUSTOMER TO QWEST FOR SERVICE IN THE MONTH IMMEDIATELY PRECEDING THE OCCURRENCE OF THE EVENT GIVING RISE TO THE CLAIM. NOTWITHSTANDING THE FOREGOING, THE LIMITATION OF LIABILITY IN THIS SECTION WILL NOT APPLY TO CUSTOMER'S PAYMENT AND INDEMNIFICATION OBLIGATIONS.

**11. Indemnification.** Customer will defend and indemnify Qwest, its Affiliates, agents, and contractors against all third party claims, liabilities, costs, and expenses, including reasonable attorneys' fees, arising from or related to the use, modification, or resale of the Service by Customer or End Users. "End Users" means Customer's members, end users, customers, or any other third parties who utilize or access the Service or the Qwest network via the Service provided hereunder. "Affiliate" means any entity controlled by, controlling, or under common control with a party.

**12. Confidentiality; Publicity.** Neither party will, without the prior written consent of the other party: (a) issue any public announcement regarding, or make any other disclosure of the terms of, the Agreement or use the name or marks of the other party or its Affiliates; or (b) disclose or use (except as expressly permitted by, or required to achieve the purposes of, the Agreement) the Confidential Information of the other party. Such consent may only be given on behalf of Qwest by its Legal Department. A party may disclose Confidential Information if required to do so by a governmental agency, by operation of law, or if necessary in any proceeding to establish rights or obligations under the Agreement, provided that the disclosing party gives the non-disclosing party reasonable prior written notice. "Confidential Information" means any information that is not generally available to the public, whether of a technical, business or other nature and that: (c) the receiving party knows or has reason to know is confidential, proprietary or trade secret information of the disclosing party; and/or (d) is of such a nature that the receiving party should reasonably understand that the disclosing party desires to protect such information against unrestricted disclosure. Confidential Information will not include information that is in the public domain through no breach of this Agreement by the receiving party or is already known or is independently developed by the receiving party.

**13. Dispute Resolution; Governing Law.** The Agreement and the parties' actions under the Agreement will comply with all applicable federal, state, and local laws, rules, regulations, court orders, and governmental agency orders. Any dispute arising out of, or relating to, the Agreement will be settled by arbitration to be conducted in accordance with the Judicial Arbitration and Mediation Services ("JAMS") Comprehensive Arbitration Rules. The Federal Arbitration Act, 9 U.S.C. Sections 1-16, not state law, will govern the arbitrability of disputes. The Agreement will otherwise be governed by the laws of the state where Service is provided, without regard to its choice of law principles. The costs of the arbitration, including the arbitrator's fees, will be shared equally by the parties; provided, however, that each party will bear the cost of preparing and presenting its own claims and/or defenses (including its own attorneys' fees). The venue for arbitration will be designated by the party not initiating the action with the exception of any billing collection disputes, which will be conducted in a location designated by Qwest or Denver, Colorado. The venue location designated must be in a metropolitan area in which JAMS offers its dispute resolution services. A single arbitrator engaged in the practice of law, who is knowledgeable about the subject matter of the Agreement, will conduct the arbitration. The arbitrator is bound to apply and enforce the terms of the Agreement. The arbitrator's decision will be final, binding, and enforceable in a court of competent jurisdiction. If a party is required to enforce compliance with this Section (including nonpayment of an award), then the noncomplying party must reimburse all of the costs and expenses incurred by the party seeking such enforcement (including reasonable attorneys' fees). This provision is not intended to deprive a small claims court or state agency of lawful jurisdiction that would otherwise exist over a claim or controversy between the parties.

**14. Notices.** Except as otherwise provided herein, all required notices must be in writing and sent to Qwest at 1801 California Street, Suite 900, Denver, Colorado 80202; Facsimile #: (888) 778-0054; Attn.: Legal Department, and to Customer at its then current address as reflected in Qwest's records; Attn.: General Counsel or other person designated for notices. Except as otherwise provided herein, all notices will be deemed given: (a) when delivered in person to the recipient named above; (b) three business days after delivered via

regular U.S. Mail; (c) when delivered via overnight courier mail; or (d) when delivered by facsimile so long as duplicate notification is also sent in the manner set forth in subsection (b).

**15. General Provisions.** Customer may not assign the Agreement or any of its rights or obligations under the Agreement without the prior written consent of Qwest, which consent will not be unreasonably withheld. The Agreement is intended solely for Qwest and Customer and it will not benefit or be enforceable by any other person or entity, including without limitation, End Users. If any term of the Agreement is held unenforceable, such term will be construed as nearly as possible to reflect the original intent of the parties and the remaining terms will remain in effect. Neither party's failure to insist upon strict performance of any provision of the Agreement will be construed as a waiver of any of its rights hereunder. All terms of the Agreement that should by their nature survive the termination of the Agreement will so survive. Neither party will be liable for any delay or failure to perform its obligations hereunder if such delay or failure is caused by a Force Majeure Event. "Force Majeure Event" means an unforeseeable event beyond the reasonable control of that party, including without limitation: act of God, fire, flood, labor strike, sabotage, fiber cuts, acts of terror, material shortages or unavailability, government laws or regulations, war or civil disorder, or failures of suppliers of goods and services. The Agreement constitutes the entire agreement between Customer and Qwest with respect to the subject matter hereof, and supersedes all prior oral or written agreements or understandings relating to the subject matter hereof. Except for Tariff or Service modifications initiated by Qwest, all amendments to the Agreement must be in writing and signed by the parties' authorized representatives. However, any change in rates, charges, or regulations mandated by the legally constituted authorities will act as a modification of any contract to that extent without further notice. Qwest reserves the right at any time to reject any handwritten change to the Agreement.

The parties have read, understand and agree to all of the above terms and conditions of this Agreement and hereby execute and authorize this Agreement.

insert Customer's legal name

**Qwest Corporation**

FORM COPY - Not for Execution

FORM COPY - Not for Execution

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Name Typed or Printed

\_\_\_\_\_  
Name Typed or Printed

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**Address for Notices:**  
\_\_\_\_\_

Issued:

Effective:

## 2. GENERAL REGULATIONS

### 2.1 DEFINITIONS (Cont'd)

#### Dual Tone Multifrequency Signaling

A method of signaling used on a local access line which uses a simultaneous combination of one of a lower group of frequencies and one of a higher group of frequencies to represent each digit or character transmitted from the customer's station to the central office.

#### Exchange Area

A geographical area established by the Commission, which consists of one or more central offices together with associated facilities which are used in providing basic local exchange service. Calls within an exchange area are considered local calls.

#### Exchange

The entire telecommunications plant and facilities used in providing telecommunication service to customers located in a geographic area defined by tariff. An exchange may contain more than one central office switch location or wire center.

#### Force Majeure

Qwest shall not be liable for any delay or failure in performance of any part of this tariff from any cause beyond its control and without its fault or negligence including, without limitation:

(D)

- (1) Acts of nature, acts of civil or military authority, government regulations, embargoes, epidemics, terrorist acts, riots, insurrections, fires, explosions, earthquakes, nuclear accidents, floods, work stoppages, power blackouts, volcanic action, other major environmental disturbances, or unusually severe weather conditions (collectively, a Force Majeure Event);
- (2) The inability of the Company to secure products or services of other Persons or transportation facilities or acts or omissions of transportation carriers shall be considered Force Majeure Events, to the extent any delay or failure in performance caused by these circumstances is beyond the Company's control and without the Company's fault or negligence.

Issued:

Effective:

## 2. GENERAL REGULATIONS

### 2.3 RELATIONS BETWEEN CUSTOMERS AND THE COMPANY (Cont'd)

#### 2.3.2 CUSTOMER BILLING REQUIREMENTS

##### A. Billing Credits

1. In the event the customer's service from the Company is interrupted and remains out-of-service for more than 8 continuous hours after being reported by the customer, or found to be out-of-service by the Company, (whichever occurs first) appropriate adjustments shall be automatically made by the Company to the customer's bill. The adjustment will be a credit on the customer's monthly bill equal to 1/30 of the Company's basic monthly service charges.
2. In the event the customer's service from the Company is interrupted and remains out-of-service for more than 48 continuous hours after being reported by the customer, or found to be out-of-service by the Company, (whichever occurs first) appropriate adjustments shall be automatically made by the Company to the customer's bill. The adjustment will be a credit on the customer's monthly bill equal to 7/30 of the Company's basic monthly service charges. Thereafter, the adjustment credit will be 7/30 of the basic monthly service charges for each 24 hour period beyond 48 hours of continuous out-of-service (i.e., 72 hours = 14/30, 96 hours = 21/30, 120 hours = 28/30, etc.)
3. The Company will not be required to provide an adjustment for the loss of service during time periods due to the following conditions:
  - a. the negligence or willful act of the customer; or
  - b. a malfunction of facilities other than those under the control of the Company; or
  - c. natural disasters, acts of terrorism or other events affecting large numbers of customers such as described in 2.5.21.A.4.; or
  - d. the inability of the Company to gain access to the customer's premises, or to obtain customer provided facilities, when required, or to obtain other approvals not within the control of the Company, including permits, licenses, or property-use authorizations for which the Company may not have been expected to accommodate.
4. In the event the Company misses a service call (i.e., an appointment for a premise visit associated with installation ~~or~~ of new service or with a regrade of service) by more than four hours, the Company shall automatically make a credit to the monthly bill of the customer for missed appointments. This credit shall also apply when the Company misses scheduled installation work to be done in the central office. A missed appointment credit will not be required for Force Majeure events or for those conditions listed in Section 2.3.2.A.3, above.

- Credit per missed appointment
  - Residence
  - Business

#### CREDIT

\$16.00  
19.00

Issued:

Effective:

## 2. GENERAL REGULATIONS

### 2.5 QUALITY OF TELECOMMUNICATIONS SERVICE

#### 2.5.1 ADEQUACY OF SERVICE

##### A. General Requirements

1. The Company shall employ prudent management and engineering practices so that sufficient equipment and adequate personnel are available at all times. To meet this objective, the Company shall conduct traffic studies, employ reasonable procedures for forecasting future service demand and maintain the records necessary to demonstrate to this Commission that sufficient equipment is in use and that an adequate operating force is provided.
2. The criteria for quality of service established within this Tariff defines a minimal acceptable standard for the most basic elements of telecommunications service. This Tariff does not attempt to define all criteria for all service applications nor the most desirable service level for any basic element, except for the minimal acceptable standard. In the event a specific service element is not covered by this Tariff, the Company will be expected to meet generally accepted industry standards for that element and the total service. Organizations which are recognized for establishing standards that may be appropriate for telecommunications services include the IEEE, ANSI, Bellcore and the Federal Communications Commission (FCC).
3. The Company shall make regular periodic measurements to determine the level of service for each item included in 2.5.2 through 2.5.6 of this Tariff. These records shall be available for review by this Commission upon request.
4. The standards within this Tariff establish the minimum acceptable quality of service under normal operating conditions. They do not establish a level of performance to be achieved during periods of emergency, catastrophe, natural disaster, or other events affecting large numbers of customers nor shall they apply to extraordinary or abnormal conditions of operation, such as those resulting from work stoppage, civil unrest, or other Force Majeure events for which the Company may not have been expected to accommodate.