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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION)
OF QWEST LD CORP. TARIFF FILING TO)
INCREASE THE MAXIMUM MONTHLY)
RATES FOR VARIOUS OBSOLETE)
RESIDENTIAL CALLING PLANS)

DOCKET NO. T-04190A-07-0030

DECISION NO. 70300

ORDER

Open Meeting
April 8 and 9, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Qwest LD Corp. ("QLDC") is certificated to provide interexchange telecommunications service as a public service corporation in the State of Arizona.
2. On January 23, 2007, QLD filed tariff revisions to increase several maximum monthly rates for its Arizona Tariff No. 2.
3. QLDC seeks to increase its maximum monthly rate per account charge for the following nine (9) obsolete residential calling plans from \$.99 to \$1.99:

Qwest LD Corp.
Arizona Tariff No. 2

Section 103, Page 1, Release 4
Section 103, Page 2.1, Release 2
Section 103, Page 3, Release 4
Section 103, Page 5, Release 4

Section 103, Page 7, Release 4
 Section 103, Page 8, Release 4
 Section 103, Page 9, Release 4
 Section 103, Page 10, Release 4
 Section 103, Page 12, Release 3

Calling Plan	Current Maximum Monthly Rate Per Account	Proposed Maximum Monthly Rate Per Account
QLDC 10 Cent Single Rate Plan	\$.99	\$1.99
QLDC 5 Cent Saver Plan	\$.99	\$1.99
QLDC 7 Cent Preferred Plan	\$.99	\$1.99
QLDC Unlimited Long Distance Plan	\$.99	\$1.99
QLDC Preferred Unlimited	\$.99	\$1.99
QLDC 5 Cent Anywhere	\$.99	\$1.99
QLDC 7 Cent Anywhere	\$.99	\$1.99
QLDC 5 Cent Preferred	\$.99	\$1.99
QLDC Choice Long Distance	\$.99	\$1.99

4. The maximum monthly rates are related to the subject of a proceeding that resulted in a Settlement Agreement approved by Decision No. 67745 on April 11, 2005.

Staff and Qwest LD Corp., its parent, affiliated companies (which includes QCC) or their successors ("Qwest" or "the Company"), (the Parties") agreed to a settlement of the Complaint and Petition for Order to Show Cause Docket ("Docket") filed by Staff and currently pending before the Arizona Corporation Commission ("Commission"), in Docket No. T-04190A-04-0904 (hereinafter referred to as "the Staff Complaint"). The Staff Complaint alleges that Qwest LD Corp. was required to file tariff and/or price list revisions with the Commission prior to implementing a \$2.99 surcharge as part of its Qwest Choice Long Distance calling plan, which applies to both interstate and intrastate long distance calls made by Arizona customers. The terms and conditions of the Settlement Agreement were intended to resolve all of the issues associated with Qwest's implementation of the \$2.99 surcharge as part of its Qwest Choice Long Distance calling plans as set forth in the Staff Complaint.

5. In the Settlement Agreement, Qwest acknowledged and agreed to accept on an interim basis, without prejudice, and until further Order of the Commission or until the conclusion of the Generic Docket¹, the Staff's interpretation of the Arizona statutes and rules regarding tariffing of monthly recurring charges for long distance plans which are applicable to both interstate and intrastate calls. The Generic Docket was required as part of the Settlement Agreement.

¹ In The Matter Of The Generic Investigation Of Tariffing And Notice Requirements For Combined Interstate And Intrastate Calling Plans, Docket No. RT-00000J-05-0329

1 6. On December 19, 2006, Staff filed its report in the Generic Docket. In its report,
2 Staff recommended:

3 "...that QLDC be given the option of (1) listings all long distance
4 rates and charges within its Arizona intrastate tariffs or (2) denoting
5 within its Arizona intrastate tariffs those charges and rates which are
6 listed in QLDC's interstate tariffs."

7 "...that QLDC be given 90 days to modify its Arizona intrastate
8 tariffs accordingly."

9 "...that all intrastate long distance providers comply with the above
10 Staff interpretation of tariffing rules and statutes. Intrastate long
11 distance providers should be given 90 days to modify their Arizona
12 intrastate tariffs accordingly, if necessary."

13 7. A decision has not been reached by the Commission in the Generic Docket. Until
14 such time as the Commission makes a determination in the Generic Docket, the provisions of the
15 Settlement Agreement continue to apply.

16 8. Since QLDC proposes to increase the maximum monthly rate for a component of a
17 service that has been classified as competitive under the Commission's Competitive
18 Telecommunications Service Rules, Arizona Administrative Code Rule ("A.A.C.") R14-2-1110
19 applies to QLDC's proposal. QLDC provided the information required by A.A.C. R14-2-1110 to
20 allow Staff to determine the potential affects of approval of the filing.

21 9. The proposed rate increases contained in this filing are for services that have been
22 classified as competitive by the Commission and are now subject to the Commission's
23 Competitive Telecommunications Services Rules. Under those rules, rates for competitive
24 services are generally not set according to rate of return regulation standards.

25 10. QLDC provided information which indicated that the Estimated Potential
26 Additional Revenues associated with this filing at end of year 2006 were less than \$4,000,000².
27 By end of year 2007, the Estimated Potential Additional Revenues had declined to less than
28 \$2,000,000³.

² Actual information provided to Staff as Confidential; revised February 22, 2008.

³ *Id.*

1 11. At end of year 2007, the customer base for these services was less than 200,000⁴
2 residence customers and declined by approximately 30% in 2007.

3 12. The revenue increase associated with the proposed maximum rates is less than 10%
4 of QLDC's 2006 intrastate revenues⁵. The revenue increase also supports interstate long distance
5 service as well as intrastate long distance services. Additionally, QLDC provided information
6 indicating that its proposed rates are comparable to those of competitor calling plans.⁶

7 13. Staff obtained information regarding QLDC's fair value rate base. Because of the
8 nature of the competitive market and other factors, a fair value analysis is not necessarily
9 representative of the company's operations. Therefore, while Staff considered the fair value rate
10 base information of QLDC, it did not accord that information substantial weight in its analysis of
11 this matter.

12 14. Staff notes that QLDC did not file changes to the current rates corresponding to the
13 maximum proposed rates, as are required by A.A.C. R14-2-1109(B). QLDC, therefore, is not
14 increasing the current or actual prices at this time but, rather, plans at some future time to file for
15 such increases. This filing will not have immediate impact on the prices paid by residence
16 customers. At a time when QLDC does propose raising its current or actual rates, QLDC must file
17 such changes consistent with the requirements of A.A.C. R14-2-1109(B).

18 15. Staff has recommended approval of this filing.

19 16. In its filing QLDC provided evidence that it has provided notice to its customers.
20 Because Staff believes that the Company did not comply with the Commission's public notice
21 requirements, Staff recommends that QLDC re-notice customers in a manner and form consistent
22 with Commission requirements

23 CONCLUSIONS OF LAW

24 1. Qwest LD Corp. is an Arizona public service corporation within the meaning of
25 Article XV, Section 2, of the Arizona Constitution.

26
27 ⁴ *Id.*

28 ⁵ Qwest LD Corp. 2006 Annual Report, April 15, 2007.

⁶ e.g., AT&T- \$2.00, \$2.95, \$7.95, \$32.99; Cox- \$3.95, \$25.00; Embarq- \$5.95, \$6.95

1 ...

2 2. The Commission has jurisdiction over Qwest LD Corp. and over the subject matter
3 of this Application.

4 3. The Commission, having reviewed the tariff pages (copies of which are contained in
5 the Commission's tariff files) and Staff's Memorandum dated March 25, 2008 concludes the tariff
6 filing is reasonable, fair and equitable, and is therefore in the public interest.

7 ORDER

8 IT IS THEREFORE ORDERED that the tariff filing be and hereby is approved.

9 IT IS FURTHER ORDERED that QLDC re-notice customers in a manner and form
10 consistent with Commission requirements.

11 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

12 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

13
14 *Lawrence Gleason*
15 CHAIRMAN

COMMISSIONER

16
17 *Joseph H. Neller*
COMMISSIONER

COMMISSIONER

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19 *Gary Stein*
COMMISSIONER

20 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
21 Director of the Arizona Corporation Commission, have
22 hereunto, set my hand and caused the official seal of this
23 Commission to be affixed at the Capitol, in the City of
24 Phoenix, this 24th day of April, 2008.

25
26 *Brian C. McNeil*
27 BRIAN C. McNEIL
28 Executive Director

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EGJ:CLA:AFF:ihm\MAS
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DOCKET NO. T-04190A-07-0030

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