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Via Email and Messenger

Carole Washburn
Executive Secretary
Washington Utilities and
Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

RE: Docket UT-061625 - Petition for AFOR
*Additional Compliance Issues regarding A La Carte Features and Package
Pricing, in accordance with Order Nos. 06 and 15.*

Dear Ms. Washburn:

Under Transmittal Nos. 3639T and 3640T, Qwest has submitted its tariff filings to remove certain services from the tariff and place them in Qwest's catalog, in accordance with the flexibility granted in the AFOR orders to date. One issue that remains open, which was noted in Orders 06 and 15, is the requirement that Qwest's package prices should not exceed the sum of the stand-alone prices for the components of the package.

Qwest is submitting this letter to explain to the Commission how it will comply with that requirement. Because there are no tariff changes associated with this particular issue, this filing is submitted separately from the tariff filing.

Qwest has determined that under its current package and feature prices, certain combinations of features and exchange service, which can be selected for purchase as packages, can be purchased at a lower total price on an a la carte basis than as a package. This occurs because Qwest's \$29.99 package contains an assortment of features which, if the customer selects some of the least expensive features, do not exceed the package price. The vast majority of customers select features that do exceed the package price. Of its existing base of package customers (approximately 290,000), Qwest estimates that about 2% of the customers (approximately 6,000), purchase their combination of package services for a lower price on an ala carte basis than the package price. As explained below, there may be other reasons why a customer would nonetheless choose such a package. However, Order No. 06 (at ¶ 81) requires that the package price not exceed the sum of the a la carte package components.

Qwest will comply with the Commission's requirement as follows, unless the Commission chooses to modify that requirement to allow a customer to make an informed decision to select a package based on factors other than price.¹

Compliance with the Pricing Requirement of Order No. 06.

New Customers

A. Revised Website Package Ordering Process

Qwest has made modifications to its website ordering page such that customers who attempt to order package combinations of features and exchange service that could be purchased at a lower total price on an a la carte basis would be restricted from ordering such a combination. These customers are given the following options:

- 1.) Change your order by selecting higher value calling features to be included in your \$29.99 package price (a link to the package order page is provided)
- 2.) Order a basic phone line (\$13.50) and add your chosen calling features separately (a link to the basic phone service order page is provided);
- 3.) Get help with your order from an online service representative (a link to the service representative is provided).

B. Service Representative Package Order Process

Option 1 – no packages sold if pricing requirement not met.

When customers call Qwest's service representatives or access the website to order packages, and they select combinations of features and exchange service that could be purchased at a lower total price on an a la carte basis, whether directly or after attempting to order at Qwest's website, the service representatives will inform the customer that the combination of features and exchange service they have selected can be purchased at a lower price on an a la carte basis. Service representatives will encourage the customer to select higher value calling features. If a customer still wants to order their initially selected combination of features and exchange service as a package, after they have been told about their ability to order the services a la carte at a lower price, the service

¹ The Commission stated, in paragraph 80 of Order 06: "While consumers make decisions based on many factors, price is certainly one consideration. We believe consumers should not be financially penalized for selecting a bundle that costs more than if they individually purchased the same features. Nor should consumers be led to the mistaken assumption of the unwary that bundles will not cost more than buying the same services separately." However, there are certain benefits that come from selecting a package that may cause a consumer to choose the package even if there are points in time where the package price may exceed the sum of the elements. And, there may be overall financial benefit to the customer from selecting a package as part of a larger bundle of unregulated services such that the package price continues to provide value to the customer. This is discussed in more detail below.

representative will advise them that the package is not available with that combination of features and Qwest will not sell the package.

Option 2 – allow customer the option to complete the order for a package.

Consistent with the Commission's observation in Order No. 06, price is certainly one consideration in a purchase decision, but it is not the only consideration. A consumer may choose to order a package with the three least expensive features because they receive other benefits attendant to that purchase.

Two reasons that customers may want to order a package even if they purchase the combination of services at a lower price on an a la carte basis, are:

- 1.) They may be getting a discount by bundling the package with other services that more than offsets the difference between the total a la carte price and the package price. For example, a customer who chooses to bundle their local service package with Qwest's long distance service gets a \$5.00 discount on their total bill. Depending upon the components in the bundle, the discount could be even greater, either \$10.00, \$20.00, or \$37.00 for customers who subscribe to wireless, internet, satellite TV, unlimited long distance, along with the local package.
- 2.) They may want the flexibility to change features within their package without incurring non-recurring charges. A customer who purchases a package can move in and out of features without paying the \$7.00 nonrecurring charge they would otherwise incur to add new features. For example, a customer who buys a package may choose to remove caller ID if they are out of town for the weekend and replace that feature with call forwarding. Or, they may take call forwarding off for a month if they are traveling, and temporarily replace that feature with voice mail. In addition, customers are able to make these changes on line, without involving a service representative. Thus, there may well be customers whose package price sometimes, but not always, exceeds the sum of the elements. But, these customers get other financial and non-financial benefits by purchasing the package, including the flexibility to change features at will, the avoidance of nonrecurring charges, and possibly receiving an overall bundle discount as well.

Existing Customers

A. Notice to Existing Package Customers

Qwest will notice existing package customers who currently have a mix of features and exchange service that can be purchased at a lower price on an a la carte basis than the package price they are paying. A draft notice follows:

January XX, 2008

Dear Qwest Customer,

At Qwest[®], we work hard to provide you with outstanding quality in every aspect of your service – including offering local phone packages with a choice of our most popular calling features.

A recent review of your Qwest Choice Home package reveals that you may able to save money by switching from your local phone package to paying the individual rates for your selected features.

You may also be interested in changing features within your package. You can select from our most popular features, such as Voice Mail, Caller ID, and Call Waiting. Note there is no charge to change features at any time within your Qwest Choice Home package.

We appreciate your business and thank you for being a Qwest customer. We invite you to contact us at 1-800-244-1111 to ensure you receive the maximum benefits and savings from your Qwest Choice Home package.

Sincerely,

*XXX
Title
Department*

B. Options after the Notice is Sent

Option 1 – Customers would be automatically converted to stand alone pricing. Qwest does not endorse this option because it may not be the best choice for all customers. Further, absent specific Commission direction to do so, Qwest is not certain it may make this type of a change to a customer's account, particularly if the customer wants to remain in the package for some of the reasons discussed above.

Option 2 – Customers would remain on the package unless and until they contact Qwest to make changes to their account. Qwest supports this option as the most customer-friendly option, and one that gives the customer full control over his or her purchasing decision, taking into account the variables that are unique to each customer.

Implementation

Qwest therefore respectfully requests that the Commission approve its compliance proposal for new and existing customers who purchase packages. For both new and existing customers, Qwest requests that the Commission specifically direct Qwest to implement either Option 1 or Option 2. Qwest supports Option 2 as more customer-friendly and more consistent with the spirit of Order No. 06, where the Commission recognized that price is an important, but not exclusive, factor in the purchase decision.

Sincerely,

Mark Reynolds

MSR/jlr

cc: All parties of record (*via e-mail and Overnight Delivery or Messenger*)