

## Staff's Improved Proposal for a Qwest AFOR

- Provisions:
  1. For the period of the AFOR, Qwest will be subject to the same regulation as those companies who are competitively classified pursuant to RCW 80.36.320, subject to certain exceptions and certain transition period requirements.<sup>1</sup>
  2. The terms of this AFOR will be effective upon approval by the Commission and will remain in effect for 4 years, or longer if authorized by the commission.
    - a) During the 6 months prior to the 4 year anniversary of the AFOR, Qwest and the Commission's Staff will conduct a review of the provisions of this AFOR to determine if changing market conditions warrant modifications to the plan.
    - b) During the course of that review any of the parties to this AFOR settlement may propose or oppose modifications. Upon conclusion of the review but not later than the 4-year anniversary the Commission will provide notice to the parties and hold a proceeding in which parties may advocate for or against proposed modifications.
    - c) While the Commission deliberates, the terms of this AFOR shall continue in force.
  3. Qwest expressly agrees that if the Commission determines, after an appropriate proceeding, to revoke the previously-granted competitive classification for Qwest's DS-1 or DS-3 private line services, Qwest will not contend that the provisions of this AFOR nonetheless require those services to be treated as competitively classified. In such instance, the parties reserve their rights to advocate that an appropriate mechanism be established to ensure that rates for such services are fair, just and reasonable.
  4. At the end of the second year of the AFOR, Qwest should provide a plan for infrastructure development. At the end of the AFOR, for the review process, Qwest should file a report on infrastructure development informing the commission about Qwest's progress in promoting the infrastructure plan,

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<sup>1</sup> The following statutes (and any associated rules and regulations) are waived for competitive telecommunications companies pursuant to RCW 80.36.320: RCW [80.04.300](#) (Budgets to be filed by companies -- Supplementary budgets); RCW [80.04.310](#) (Commission's control over expenditures); RCW [80.04.320](#) (Budget rules); RCW [80.04.330](#) (Effect of unauthorized expenditure -- Emergencies); RCW [80.04.360](#) (Earnings in excess of reasonable rate -- Consideration in fixing rates); RCW [80.04.460](#) (Investigation of accidents); RCW [80.04.520](#) (Approval of lease of utility facilities); RCW [80.36.100](#) (Tariff schedules to be filed and open to public); RCW [80.36.110](#) (Tariff changes -- Statutory notice -- Exception); Chapter [80.08](#) RCW (Securities) (except RCW [80.08.140](#), State not obligated); Chapter [80.12](#) RCW (Transfers of property); Chapter [80.16](#) RCW (Affiliated interests).

- including analysis of the goal of making advanced telecommunications services available to 83 percent of customers, including greenfield living units.
5. Any time there is a major outage in a given area with a cause that is within Qwest's control, that affects the availability of advanced telecommunications services, the company must build in either more redundancy to serve that area or a technological improvement that removes the vulnerability that caused the outage.
- Exceptions:
    1. This AFOR does not address the commission's authority to regulate Qwest's wholesale obligation under the Telecommunications Act of 1996, nor does it address existing carrier-to-carrier service quality requirements, including service quality standards or performance measures for interconnection and appropriate enforcement or remedial provisions in the event Qwest fails to meet service quality standard or performance measures. For the duration of this AFOR, Qwest should not seek relief or forbearance from the obligations and requirements described above insofar as they apply to Washington State.
    2. Provision No. 1 of this AFOR does not apply to the following services:
      - a. Standalone Residential Exchange Services:
        - Exchange Areas; Flat/Measured Exchange Service Options; Hunting Service; Public Response Calling Service; (WN U-40, Sections 5.1 - 5.2.5)
        - Directory Services – Listing Services (WN U-40, Section 5.7.1) and Custom Number Service (WN U-40, Section 5.7.7)
        - Operator Services – Local Operator Service Surcharges (WN U-40, Section 5.8.2); Intercept Service (WN U-40, Section 5.8.4); and Operator Verification/Interrupt Service (WN U-40, Section 6.2.8)
        - Directory Assistance Free Call Allowance - for each residential line and Centrex-type dormitory station line, one direct dialed call to directory assistance per month at no charge when an intraLATA phone number is requested under the Directory Assistance Service tariff (WN U-40 Section 6.2.4) and IntraLATA and National Directory Assistance charges will not be applicable to requests originating from telephone services Qwest has determined are used on a continuing basis by a person(s) certified incapable of using a published telephone directory. IntraLATA Directory Assistance charges will not be applicable for calls that originate from hospitals.
      - b. Washington Telephone Assistance Program (WTAP) (WN U-40, Section 5.2.6 A.)
      - c. Tribal Lifeline (WN U-40, Section 5.2.6 B.)
      - d. Link-up Programs (WN U-40, Sections 5.2.6 C. & D.)

- e. Basic and Enhanced Universal Emergency Number Service – 911 (WN U-40 Section 9.2.1)
  - f. Interconnection Service (WN U-42)
  - g. Resale Service (WN U-43)
  - h. Access Service (WN U-44)
  - i. Public Access Line Service
3. Notwithstanding #1 above (Provisions), Qwest will continue to file annual reports of affiliated interest transactions, cash transfer filings, and to file transfer of property transactions greater than one percent of its rate base as long as it provides basic service in the state of Washington. In addition, Qwest agrees that it will abide by RCW 80.08.030 regarding the use of funds.
  4. Qwest will provide service quality reporting consistent with the ‘Class A’ company reporting requirements in WAC 480-120-439 (1). Qwest will modify its current service quality report such that it complies with WAC 480-120-439, but provides a level of reporting detail consistent with that provided by other Class A companies. Specifically, Qwest’s monthly service quality reporting detail will be consistent with that provided by Verizon, CenturyTel, and Embarq. Qwest will continue filing customer service guarantee reports in accordance with the Seventeenth Supplemental Order in Docket No. UT-991358, albeit quarterly rather than monthly.
- Transition Period Requirements:

The following requirements will apply during a 4 year transition period:

1. The standalone residential exchange service recurring rate is capped at \$14.50 during the transition period. Qwest may not increase the standalone residential exchange service recurring rate by more than \$.50 in any year of the 4 year transition period.
  - a) Qwest is allowed to exercise its option to increase the rate for standalone residential flat-rated service by up to fifty cents per line per month in years two through four only if the number of service quality complaints (violations) reported to the commission improves by more than five percent (excludes *forces majeure*) over the previous year’s average. For example, please refer to staff witness Kristen Russell’s testimony at page 18, Table 2, which shows that in 2004 the total number of service quality complaints was 627, and in 2005 it was 516. The improvement in 2005 was  $(627-516)/627 = 17.7$  percent. Therefore, in the example, since a 17.7 percent improvement is better than a five percent improvement, Qwest would have been allowed up to the \$0.50 increase for 2006.

2. Notwithstanding that Qwest’s digital business services, analog private line services, and residential exchange service features and packages will be treated as competitively classified services in accordance with #1 above (Provisions), Qwest agrees not to geographically de-average the non-recurring and monthly recurring rates for these services. This provision does not modify or restrict Qwest’s ability to enter into individual contracts for service that specify rates other than state-wide average rates.
  
3. Notwithstanding #1 above (Provisions), which would allow Qwest to keep its accounts pursuant to WAC 480-120-355 and file its annual financial report pursuant to WAC 480-120-382, Qwest would file an annual report based on its books of account kept for FCC reporting purposes (MR books) in accordance with the *Uniform System of Accounts* (“USOA”), Part 32, as specified in WAC 480-120-359 (1)(a), except that the effective date for Part 32 would be the date of Qwest’s transition from its Washington jurisdictional books of account (JR books) to MR books, not the date specified in WAC 480-120-999 (4)(a). Qwest’s annual report would also include a directory revenue credit in the amount specified by the settlement agreement the Commission approved in the Dex case.<sup>2</sup> Qwest would also include the credits to its depreciation reserve required for a prior sale of rural exchanges<sup>3</sup> and for sharing under a prior AFOR.<sup>4</sup> Finally, Qwest would include a standing adjustment reflecting the difference in rate base between its MR books and its JR books on the date of transition from JR books to MR books. Qwest will maintain the ability to calculate adjustments necessary to put its books on a JR basis.
  
4. Notwithstanding #1 above (Provisions), waiver of certain financial regulatory oversights are maintained or waived as follows:

Statute or rule to be waived	Disposition of Waiver	Conditions
<b>Securities</b>		
Chapter 80.08 RCW-Securities	Grant	Will comply with RCW 80.08.030 regarding the use of funds
WAC 480-120-365 Securities Filings	Grant	
WAC 480-120-389 Securities Report	Grant	
<b>Transfers of Property</b>		

<sup>2</sup> 12<sup>th</sup> Supplemental Order in WUTC Docket No. UT-0211208.

<sup>3</sup> 3<sup>rd</sup> Supplemental Order in WUTC Docket No. 940701, June 8, 1995

<sup>4</sup> 5<sup>th</sup>, 16<sup>th</sup>, 21<sup>st</sup>, 22<sup>nd</sup> and 23<sup>rd</sup> Supplemental Orders in WUTC Docket No. U-89-3245-P.

RCW 80.12.010 Definition	Deny	
RCW 80.12.020 Order required to sell, merge, etc.	Grant in part	\$15.6 million floor
RCW 80.12.030 Disposal without authorization void.	Grant in part	\$15.6 million floor
RCW 80.12.040 Authority required to acquire property or securities of utility.	Grant in part	\$15.6 million floor
RCW 80.12.045 Small local exchange company -- Chapter does not apply.	Not applicable	
RCW 80.12.050 Rules and regulations.	Deny	
RCW 80.12.060 Penalty.	Deny	
WAC 480-120-379 Transfers of property	Grant in part	\$15.6 million floor
WAC 480-143-100 Application of rules.	Deny	
WAC 480-143-110 Filing.	Deny	
WAC 480-143-120 Transfers of property.	Grant in part	\$15.6 million floor
WAC 480-143-130 Purchase of property.	Grant in part	\$15.6 million floor
WAC 480-143-140 General contents.	Deny	
WAC 480-143-150 Statement required for nonpublic service company purchases.	Deny	
WAC 480-143-160 Public hearing.	Deny	
WAC 480-143-170 Application in the public interest.	Deny	
WAC 480-143-180 Disposal and determination of necessary or useful property.	Grant in part	\$15.6 million floor
WAC 480-143-190 Annual filing of property transferred without authorization.	Grant	
WAC 480-143-200 Certain telephone leases are exempt.	Deny	
WAC 480-143-210 Transfer customer notice requirements.	Deny	
<b>Affiliated Interests</b>		
RCW 80.16.010 Definitions.	Deny	
RCW 80.16.020 Dealings with affiliated interests -- Prior filing with commission required -- Commission may disapprove.	Grant	
RCW 80.16.030 Payments to affiliated interest disallowed if not reasonable.	Deny	
RCW 80.16.040 Satisfactory proof, what constitutes.	Deny	
RCW 80.16.050 Commission's control is continuing.	Deny	
RCW 80.16.055 Small local exchange company -- Chapter does not apply.	Deny	
RCW 80.16.060 Summary order on nonapproved payments.	Deny	

RCW 80.16.070 Summary order on payments after disallowance.	Deny	
RCW 80.16.080 Court action to enforce orders.	Deny	
RCW 80.16.090 Review of orders.	Deny	
WAC 480-120-375 - Affiliated interests — Contracts or arrangements.	Grant	
WAC 480-120-395 - Affiliated interest and subsidiary transactions report. (Parts 1-3)	Deny	
WAC 480-120-395 - Affiliated interest and subsidiary transactions report. (Part 4)	Grant	
<b>Cash Transfers</b>		
WAC 480-120-369 - Transferring cash or assuming obligations.	Deny	
<b>Accounting</b>		
WAC 480-120-359(1)(a)	Grant in part	Use FCC Part 32 as of a fixed date
WAC 480-120-359(2)(b)	Grant in part	Maintain certain adjustments, calculate all for transition report and if requested
<b>Reporting</b>		
WAC 480-120-385(1)	Grant	Continue filing results of operations report with certain regulatory adjustments
WAC 480-120-385(2)	Grant	
<b>Service Quality</b>		
WAC 480-120-439 Service quality performance reports (at end of four years)	Deny	
<b>Customer Service Guarantee Program</b>		
17 <sup>th</sup> Supplemental Order in UT-991358 Order Directing Qwest to File Customer Service Guarantee Reports	Grant in part	Report Quarterly in lieu of Monthly