terminated since the Company's rates will no longer be set through rate of return regulation. Hence, the ratepayer interest associated with the Dex sale will be fully satisfied when rates no longer require the support of the imputation of directory revenues, or 2008~~2011~~, whichever occurs first.

Qwest's proposal strikes a balance among the interests of ratepayers, shareholders and the broader public because it does not result in a rate change and it captures and preserves an appropriate benefit for ratepayers without any further action on the Commission's part. It also benefits the ratepayer in that it allows QCI to retain the proceeds from the sale to meet its financial obligations, which will enable it to further de-lever its balance sheet. This is critically necessary to avoid bankruptcy and to preserve efficient and reliable service.

Fourth, the transaction does not distort or impair the development of competitive markets. Based on evidence presented in QC's recently concluded Section 271 proceeding, Docket Nos. UT-003022 and UT-003040, it is clear that the local exchange market is fully open to competition in Qwest's service area and that Qwest has satisfied the requirements of section 271 of the Act. In the 271 proceeding, the Commission found Qwest has demonstrated the presence of facilities-based competition in the local exchange market in Washington.[39]

These findings, coupled with the Commission's finding of effective competition for numerous services over the last several years in Docket Nos. U-86-34, et al. (Centrex features and Intracall), UT-980630 (calling card services), UT-990021

[39] Comments of the Washington Utilities and Transportation Commission, Qwest Section 271 – Washington, WC Docket No. 02-189, p. 3.