

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Penalty Assessment
Against

QUALITY TELEPHONE, INC.

In the Amount of \$1,050

DOCKET UT-121003

SETTLEMENT AGREEMENT

1 This settlement agreement (Agreement) is entered into by both parties to this
proceeding for the purpose of resolving all issues raised in the above docket.

I. PARTIES

2 The parties to this Agreement are Quality Telephone, Inc. (“Quality Telephone” or
“Company”), and the Staff of the Washington Utilities and Transportation Commission
(Staff) (collectively, “the Parties”).

II. RECITALS

3 Quality Telephone is a competitive telecommunications company regulated by the
Washington Utilities and Transportation Commission (Commission). The Company
headquarters are located in Dallas, Texas. As of October 2011, the Company no longer
serves any customers in the state of Washington.

4 State law requires telecommunications companies operating in Washington to file an
annual report and to pay regulatory fees each year. Pursuant to WAC 480-120-382, each
telecommunications company must file its annual report and pay its regulatory fee by May
1st of each year. The rule relieves companies with Washington revenues under \$20,000
from paying regulatory fees.

5 Quality Telephone filed its 2011 annual report 14 business days past the deadline of
May 1, 2012. The Company did not owe regulatory fees because its 2011 revenue fell
below the \$20,000 threshold of WAC 480-120-382. On August 1, 2012, the Commission
issued a penalty of \$1,050 against Quality Telephone for failure to timely file its 2011
annual report.

6 Quality Telephone requested a hearing and sought mitigation of the penalty based on
the following reasons: the Company has had no customers in the state of Washington since
October 2011; it is planning to surrender its license this year; it has owed no regulatory fees
for the past four years; and it believes a \$1,050 penalty is unjust.

7 Staff opposed mitigation, explaining that the penalty already had been mitigated
from \$100 to \$25 a day for Quality Telephone and for all other companies that mailed
annual reports by May 25, 2012. In addition, Staff explained that the penalty included an
additional \$50 a day for late-filing prior annual reports twice in the last five years. Based on
this rationale, Staff recommended that mitigation be denied.

8 The Parties entered into settlement discussions. The Parties reached an agreement in
principle and informed the Commission of their settlement on November 16, 2012. The
settlement is memorialized in this Agreement.

III. AGREEMENT

9 The Parties have reached agreement on the issues raised in the above docket and
present their agreement for the Commission's consideration and approval. The Parties
therefore adopt the following Agreement, which the Parties enter into voluntarily, to resolve
the matters in dispute between them and to expedite the orderly disposition of this
proceeding.

10 Quality Telephone admits that it violated WAC 480-120-382 by failing to file its
2011 annual report by May 1, 2012.

11 The Parties agree that Quality Telephone will pay to the Commission penalties of
\$350.

12 Quality Telephone commits to canceling its registration on or before November 30,
2012.

13 If Quality Telephone fails to file a notice of cancellation on or before November 30,
2012, the original penalty amount of \$1,050 becomes immediately due and payable by 5:00
p.m., December 4, 2012.

IV. GENERAL PROVISIONS

14 The Parties agree that this Agreement is in the public interest. The Parties further
agree that this Agreement reflects the settlement of all contested issues between them in this
proceeding. The Parties understand that this Agreement—including the admissions
contained herein—is not binding unless and until accepted by the Commission. If the
Commission does not accept this Agreement, including all of its terms and conditions
without change, then the Parties shall be free to assert their pre-settlement positions and
agree that neither this Agreement nor any statements or admissions contained herein shall be
admissible or used for any purpose in this docket or any other proceeding for any purpose.

15 The Parties agree to cooperate in submitting this Agreement promptly to the
Commission for acceptance. The Parties agree to support adoption of this Agreement in
proceedings before the Commission. No party to this Agreement or its agents, employees,
consultants, or attorneys will engage in advocacy contrary to the Commission's adoption of
this Agreement.

16 The Parties agree (1) to provide each other the right to review in advance of publication any and all announcements or news releases that the other party intends to make about the Agreement (with the right of review to include a reasonable opportunity to request changes to the text of such announcements) and (2) to include in any news release or announcement a statement that the Staff's recommendation to approve the settlement is not binding on the Commission itself.

17 Nothing in this Agreement shall limit or bar any other entity from pursuing legal remedies against Quality Telephone or Quality Telephone's ability to assert defenses to such claims.

18 The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty, and delay. The Parties recognize that this Agreement represents a compromise of the Parties' positions. As such, conduct, statements, and documents disclosed during negotiations of this Agreement shall not be admissible as evidence in this or any other proceeding, except in any proceeding to enforce the terms of this Agreement or any Commission order fully adopting those terms. This Agreement shall not be construed against either party because it was a drafter of this Agreement.

19 By executing this Agreement, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Agreement, nor shall any Party be deemed to have agreed that any provision of this Agreement is appropriate for resolving issues in any other proceeding, except to the extent expressly set forth in the Agreement.

20 The Parties have negotiated this Agreement as an integrated document to be effective upon execution. This Agreement supersedes all prior oral and written agreements on issues

addressed herein. Accordingly, the Parties recommend that the Commission adopt this Agreement in its entirety.

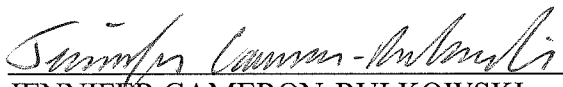
21 The Parties may execute this Agreement in counterparts and as executed shall constitute one agreement. A signed signature page sent by facsimile or email is as effective as an original document.

22 The Parties shall take all actions necessary as appropriate to carry out this Agreement.

23 In the event that the Commission rejects all or any portion of this Agreement, or accepts the settlement upon conditions not proposed in this Agreement, each party reserves the right to withdraw from this Agreement by written notice to the other party and the Commission. Written notice must be served within 10 business days of the Order rejecting part or all of this Agreement or imposing conditions not proposed in this Agreement. In such event, neither party will be bound or prejudiced by the terms of this Agreement, and the Parties agree to request the prompt reconvening of a prehearing conference and to cooperate in developing a procedural schedule.

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

ROBERT M. MCKENNA
Attorney General


JENNIFER CAMERON-RULKOWSKI
Assistant Attorney General
Counsel for the Washington Utilities and
Transportation Commission

Dated: Nov. 29, 2012.

QUALITY TELEPHONE, INC.

PETER JUCHA
Vice President
Quality Telephone, Inc.

Dated: _____, 2012.

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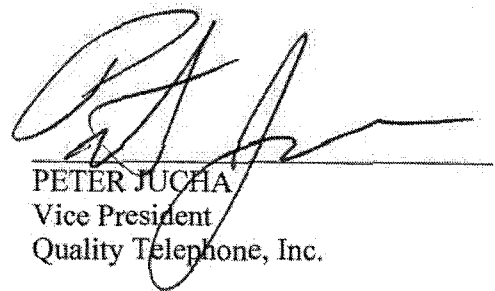
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ROBERT M. MCKENNA
Attorney General

JENNIFER CAMERON-RULKOWSKI
Assistant Attorney General
Counsel for the Washington Utilities and
Transportation Commission

Dated: _____, 2012.

QUALITY TELEPHONE, INC.



PETER JUCHA
Vice President
Quality Telephone, Inc.

Dated: 11/28/ _____, 2012.