

1 In Arizona, Qwest and the Arizona Corporation Staff have reached a stipulated
2 settlement for approval of the sale. Qwest continues to discuss settlement with
3 the other parties in that proceeding.

4 **Q. BASED ON THE SETTLEMENT ACTIVITIES IN UTAH AND ARIZONA,**
5 **IS QWEST WILLING TO REVISE ITS GAIN DISPOSITION PROPOSAL**
6 **IN WASHINGTON?**

7 A. Yes. However, Qwest's willingness to revise its proposal in no way
8 countermands its advocacy regarding entitlement to the gain. Rather, it reflects
9 Qwest's good faith effort to reduce the differences between the proposals
10 currently before the Commission, and to be consistent with Qwest's position in
11 other states where agreement has been reached. ~~Qwest believes this to be an~~
12 ~~extremely reasonable offer in light of the fact that in the other states similar~~
13 ~~concessions resulted in settlement of the issues and, in Utah, approval of the sale.~~

14 **Q. WHAT IS QWEST'S REVISED PROPOSAL?**

15 A. Qwest's revised proposal provides to ratepayers the current value of the exiting
16 imputation of \$103,370,843 as an adjustment to revenues for the regulated results
17 of operations for a period of 10 years after the sale is approved. Qwest's previous
18 proposal, contained in Ms. Jensen's January 17, 2003 Direct Testimony at pages
19 20 and 21, and revised Exhibit TAJ-4C, offered an imputation benefit of
20 \$103,370,843 for approximately 4.5 years. Based on Qwest's pre-tax gain
21 calculation contained in Exhibit TAJ-2C, Qwest's previous proposal returned
22 BEGIN QWEST CONFIDENTIAL **** END QWEST CONFIDENTIAL of the
23 gain to ratepayers through 4.5 years of imputation. Qwest's revised proposal