

## Qwest' Revised AFOR Proposal

- 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) No less than six months prior to the 4-year anniversary of the AFOR, Qwest will file information on its financial condition as set forth in Exhibit 1 to this AFOR agreement.
    - b) 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.
    - c) 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.
    - d) 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.

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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).

4. Qwest will provide a plan for broadband infrastructure development aimed at deploying high speed internet (DSL) services in its Washington wire centers that currently do not offer DSL.<sup>2</sup> At the end of the AFOR, for the review process, Qwest will file a report on the broadband infrastructure development informing the commission about Qwest's progress in deploying the infrastructure plan.
- 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.
    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)
        - 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)

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<sup>2</sup> The Qwest Washington wire centers in which Qwest does not currently offer its high speed internet (DSL) services are Easton, Elk, Northport, Pateros, Roy, Springdale, and Waitsburg.

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 ten 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 annually 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. Qwest is only allowed any such increases if it commits to leaving the Customer Service Guarantee Program (WN U-40, Section 2.2.2 B) under tariff for the initial 4 years of the AFOR.
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. Qwest will keep its books of accounts in accordance with WAC 480-120-355. The accounting method that Qwest commits to use is the same accounting method (the MR basis of accounting) that it uses to maintain its books for FCC accounting and reporting purposes (its MR books). When, in accordance with 47 CFR 32.16, Qwest informs the FCC of its intention to follow a new accounting standard Qwest shall also file notice of intent with the Commission. Qwest will provide available information concerning the new accounting standard as requested by

Staff. If the FCC does not accept the new accounting standard, it shall be deemed unacceptable to the Commission. If the FCC accepts the new accounting standard then it shall be deemed acceptable to the Commission unless Staff opens a docket to investigate adoption of the new accounting standard within 30 days of its acceptance by the FCC or 120 days of Qwest's filing of its notice of intent, whichever is later. If the FCC changes accounting methods used in 47 CFR Part 32, Staff may open a docket to investigate the changes to determine whether such methods are acceptable to the Commission.

4. Notwithstanding #1 above (Provisions), which would allow Qwest to file an annual report in accordance with WAC 480-120-382, Qwest shall continue to file an annual report in accordance with WAC 480-120-385(1). In addition, Qwest shall file an annual report of Washington intrastate regulated results of operations. The report shall be based on Qwest's MR Books and shall include the following adjustments:

- a directory revenue credit in the amount specified by the settlement agreement the Commission approved in the Dex case;<sup>3</sup>
- a credit to its depreciation reserve required for prior sale of rural exchanges;<sup>4</sup>
- a credit to its depreciation reserve for sharing under a prior AFOR;<sup>5</sup> and
- a standing adjustment reflecting the difference in rate base between its MR Books and its Washington Jurisdictional Books of Account (JR Books) on the date of transition from JR books to MR Books.

Also, in addition to the four adjustments listed above, Qwest shall maintain the capability of calculating the following Commission Basis Adjustments that it included in its quarterly financial reports to the Commission for 2006:

- Pension Asset
- Post-Retirement Benefits
- Disallowed Plant
- Interest Synchronizations
- End-of-Period Deferred Income Tax

5. 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
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<sup>3</sup> 12<sup>th</sup> Supplemental Order in WUTC Docket No. UT-021120.

<sup>4</sup> 3<sup>rd</sup> Supplemental Order in WUTC Docket No. 940701, June 8, 1995

<sup>5</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.

<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>		
RCW 80.12.010 Definition	Deny	
RCW 80.12.020 Order required to sell, merge, etc.	Grant in part	\$156 million floor
RCW 80.12.030 Disposal without authorization void.	Grant in part	\$156 million floor
RCW 80.12.040 Authority required to acquire property or securities of utility.	Grant in part	\$156 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	\$156 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	\$156million floor
WAC 480-143-130 Purchase of property.	Grant in part	\$156 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	\$156 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	Grant	

may disapprove.		
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 the current date
WAC 480-120-359(2)(b)	Grant in part	Maintain certain adjustments, defined calculation 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 Annually in lieu of Monthly