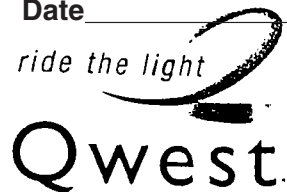


Qwest

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Adam L. Sherr

Attorney
Policy and Law Department



August 21, 2002

Ms. Carole J. Washburn, Secretary
Washington Utilities and
Transportation Commission
1300 S. Evergreen Park Dr. S.W.
P.O. Box 47250
Olympia, WA 98504-7254

Re: Docket No. UT-960323
Request for approval of negotiated agreement between
Qwest Corporation and MCI WorldCom

Dear Ms. Washburn:

In accordance with the Interpretive and Policy Statement issued on June 28, 1996 in Docket No. UT-960269, please find enclosed three (3) copies each of the negotiated (1) Business Escalation Agreement, and (2) Confidential Billing Settlement Agreement between Qwest and MCI WorldCom for filing with the Commission. Qwest seeks approval of the bracketed language in the enclosed agreements.

Qwest has previously submitted hundreds of agreements with CLECs in Washington for approval by the Commission under Section 252(e)(1). In addition to the filed agreements, Qwest also has implemented other contractual arrangements with CLECs that it does not believe fall within the filing requirements of Section 252 of the Telecommunications Act of 1996.

As the Commission is aware, earlier this year questions were raised regarding Qwest's decisions about these other, unfiled agreements. Notably, a complaint was filed by the Minnesota Department of Commerce alleging, after a review of dozens of Qwest-CLEC contracts, that eleven should have been filed with the Minnesota PUC. The Commission addressed this issue in the 39th Supplemental Order in Docket Nos. UT-003022/003040, paragraphs 289-95. Qwest also filed a petition with the FCC requesting a declaratory ruling as to the scope of the Section 252(a) filing requirement in this area.

Qwest has at all times operated in good faith in filing with the Commission interconnection agreements and amendments, and is committed to full compliance with the Act. After this issue arose Qwest modified its processes and standards for all new agreements with CLECs. Qwest advised the Commission of this policy by letter on May 9, 2002. Under this policy Qwest is

filing all new contracts, agreements or letters of understanding between Qwest Corporation and CLECs that create obligations to meet the requirements of Section 251(b) or (c) on a going forward basis. Qwest believes that this commitment goes well beyond the requirements of Section 252(a). For example, this policy reaches details of business-to-business carrier relations that Qwest does not think the Act requires to be filed with state commissions for approval. However, Qwest is committed to follow this standard until the FCC issues a decision on the appropriate standard in this area. (Unless requested by the Commission, Qwest has not been filing routine day-to-day paperwork, orders for specific services, or settlements of past disputes that do not otherwise meet the above definition.)

Older agreements provide a more complicated case. Qwest naturally has been concerned about any potential penalty liability with regard to "second-guessing" of its past filing decisions, especially in an area where the standards have not been clearly defined. Nevertheless, Qwest is now taking a further step as a sign of good faith. Specifically, Qwest has reviewed its currently effective agreements with CLECs in Washington that were entered into prior to adoption of the new policy. This group includes those agreements that relate to Section 251(b) or (c) services on an on-going basis which have not been terminated or superseded by agreement, commission order, or otherwise. These agreements have previously been provided in response to the Commission Bench Request in Docket Nos. UT-003022/003040. Qwest has applied its broad new review standard to all such agreements and as a result is now filing those agreements for approval under Section 252 of the Act. The agreements attached to this letter for filing are one of those agreements.

Qwest asks the Commission to approve the attached agreements such that, to the extent any active provisions of such agreements relate to Section 251(b) or (c), they are formally available to other CLECs under Section 252(i). For ease of review, Qwest has bracketed those terms and provisions in the agreements which arguably relate to Section 251(b) or (c) services, and which have not otherwise been terminated or superseded by agreement or Commission order. Qwest will make the bracketed provisions available under Section 251(i).

As noted above, Qwest has not been and is not filing routine day-to-day paperwork, settlements of past disputes, stipulations or agreements executed in connection with federal bankruptcy proceedings, or orders for specific services. Included in this last category are contract forms for services provided in approved interconnection agreements, such as signaling and call-related databases. The parties may execute a form contract memorializing the provision of such services offered and described in the interconnection agreement. Upon the Commission's request, Qwest can provide examples of routine paperwork, order documents, or form contracts for its review.

Qwest realizes that its voluntary decision to submit the attached agreements does not bind the Commission with respect to the question of Qwest's past compliance. However, Qwest submits that it has acted in good faith. In any event, Qwest's actions here should remove any argument with respect to Qwest's compliance with Section 252 now and going forward.

Ms. Carole Washburn

August 21, 2002

Page 3

Qwest requests that the Commission approve the bracketed portion of these agreements as soon as reasonably practicable. Qwest reserves its rights to demonstrate that the agreements need not have been filed in the event of an enforcement action in this area. Meanwhile, however, Qwest will offer other CLECs any bracketed terms in effect for the benefit of the contracting CLEC pursuant to the polices and rules related to Section 251(i).

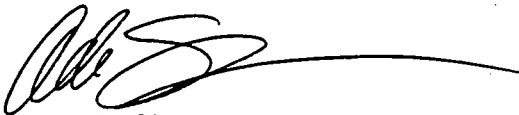
Qwest will also be posting the agreements on the website it uses to provide notice to CLECs and announcing the immediate availability to other CLECs in Washington of the bracketed terms and conditions. This will facilitate the ability of CLECs to request terms and conditions, subject to the Commission's decision approving the bracketed provisions of the agreements filed here.

Given the confidentiality provisions contained in some of these agreements and the fact that the CLECs involved may deem the information contained therein confidential, Qwest has redacted those terms, such as confidential settlement amounts relating to settlement of historical disputes between Qwest and the particular CLEC, confidential billing and bank account numbers and facility locations, which relate solely to the specific CLEC and do not relate to Section 251(b) or (c) services.

The enclosed agreements do not discriminate against non-party carriers. It is consistent with the public interest, convenience, and necessity. It is also consistent with applicable state law requirements, including Commission orders regarding interconnection issues. Qwest respectfully requests that the Commission approve this agreement expeditiously.

The Order on Arbitration Procedure also requests that a proposed order accompany the filing. Qwest requests a waiver of that requirement, and is not providing one with this filing, as the Commission has, in the past, used its own format for Orders. If this is not satisfactory to the Commission, please contact me and I will forward a proposed order immediately.

Sincerely,



Adam L. Sherr

ALS/llw

Enclosures

cc: Michael A. Beach, MCI WorldCom
Michael Schneider, MCI WorldCom Communications

BUSINESS ESCALATION AGREEMENT

This Business Escalation Agreement ("Agreement") is entered into this 29th day of June, 2001, by and between Qwest Services Corporation ("Qwest") and MCI WORLDCOM Network Services, Inc. ("WorldCom"), on behalf of themselves and their affiliates and subsidiaries, for consideration of the mutual promises herein and other good and valuable consideration. As a result of ongoing discussions and recent positive developments between WorldCom and Qwest in recent months, the parties have addressed numerous proposals intended to better the parties' business relationship. In principle, the parties have agreed to: (1) arrange quarterly meetings between executives of each company to address unresolved and/or anticipated business issues; and (2) establish and follow escalation procedures designed to facilitate and expedite business-to-business dispute solutions.

1. QUARTERLY MEETINGS

Beginning in 2001, the parties agree to attend and participate in quarterly executive meetings, the purpose of which will be to address and discuss issues, open items or disputes, and future business needs. The participants in the meeting will include executives from both companies at the vice-president and/or above level.

2. BUSINESS ESCALATION PROCEDURES

The parties wish to establish an improved business-to-business relationship and agree that they will attempt to resolve business issues that may arise between them, in accordance with the escalation procedures set forth herein. The parties agree, subject to any subsequent written agreement between the parties, to: (1) utilize the following escalation process and time frames to resolve such disputes; (2) commit the time, resources and good faith necessary to meaningful dispute resolution; (3) grant to one another, at the request of the other party, reasonable extensions of time at Levels 1 and 2 of the dispute resolution process to facilitate a business resolution.

Level	Participants	Time frame for discussions
LEVEL 1	Directors	15 business days
LEVEL 2	Vice Presidents	10 business days
LEVEL 3	Senior and/or Executive Vice Presidents	5 business days

In the event mutually agreeable resolution is not achieved, either party may seek legal, regulatory, or other relief.

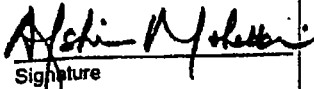
Notwithstanding the above escalation procedures, the parties expressly reserve the right to pursue legal, regulatory, and/or other relief at any time before any court, administrative agency, or other body as each party, in its sole discretion, deems appropriate or necessary to protect its interests. In the event either party avails itself of such right to relief, the other party may, to the extent feasible, accelerate the escalation process so as to reach Level 3 prior to the time at which a responsive filing would be required of that party.

In the event either party pursues legal, regulatory, or other relief, both parties agree that they will continue to use this escalation process in an attempt to continue to seek settlement of that dispute and other disputes that may exist at that time or subsequently arise between the parties.

If the parties agree with the terms set forth above, they will each execute a copy of this Agreement in the signature spaces provided on the last page. Upon signature of both parties, the parties will be bound as of the date set forth above by the terms set forth herein, through March 31, 2004. This Agreement may be executed in counterparts and exchanged by facsimile.

Qwest Services Corporation
and its affiliates

By:


Signature

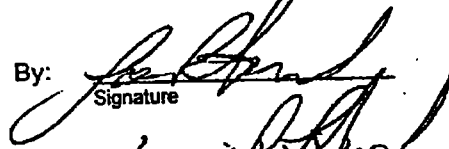
ARSHIN MONERBI
Printed Name

Its:

PRES. & C.O.O.
Title

MCI WORLDCOM Network
Services, Inc. and its affiliates

By:


Signature

DENNIS R. [unclear]
Printed Name

Its:

6/29/01
Title

CONFIDENTIAL BILLING SETTLEMENT AGREEMENT

This Confidential Billing Settlement Agreement ("Agreement"), dated and effective June 29, 2001, is between Qwest Corporation ("Qwest") and MCI WORLDCOM Network Services, Inc., on behalf of itself and its affiliates and subsidiaries (collectively "WorldCom") (Qwest and WorldCom collectively referred to as the "Parties") who hereby enter into this Confidential Billing Settlement Agreement with regard to the following:

RECITALS

1. Qwest is an incumbent local exchange carrier ("ILEC") operating in its 14-state region.
2. WorldCom is a competitive local exchange carrier ("CLEC") operating in Qwest's 14-state region and an interexchange carrier.
3. Qwest and WorldCom provide and bill each other for various services and facilities provided to one another pursuant to various agreements, including interconnection agreements entered into pursuant to the federal Telecommunications Act of 1934 as amended ("Act"), and, for some services, under state and federal tariffs.
4. Certain disputes have arisen between the Parties in connection with certain charges assessed by the Parties and certain services provisioned under the aforementioned agreements and tariffs and because of disagreements over the effect, meaning and impact of various state and federal regulatory decisions.
5. In an attempt to finally resolve the specific billing and provisioning disputes

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identified herein that exist between the Parties through the date of the execution of this Agreement, and to avoid delay and costly litigation, and for valuable consideration, the Parties voluntarily enter into this Agreement and hereby agree to the following.

SETTLEMENT AGREEMENT

1. In settlement of the disputes, claims and controversies referenced above and described more fully below, Qwest agrees to a one-time payment to WorldCom in the amount of [REDACTED] Qwest will wire to WorldCom such amount by July 16, 2001. As consideration for this payment and for the other commitments and waivers by Qwest and WorldCom set forth herein, the Parties agree to the following provisions.

2. EEL. WorldCom has claimed that approximately 2,500 private line circuits provided by Qwest to WorldCom in various states should have been converted to the Unbundled Network Element Platform known as EEL from tariffed services during the time period between September 4, 1997 and the date of this Agreement, and therefore disputes the billing associated with these circuits. Qwest denies WorldCom's assertions and the Parties dispute their legal obligations concerning WorldCom's request to convert the tariffed services to EEL. As part of this Agreement and to resolve any disputes related to this issue, WorldCom has agreed to waive any and all claims it may have with respect to charges assessed by Qwest for these circuits through the effective date of this Agreement. Following the effective date of this Agreement, WorldCom agrees that in the event it desires to convert circuits to Unbundled Network Elements (including EELs), WorldCom will submit orders and

certifications in a manner consistent with the Parties' interconnection agreements, as amended by the UNE combinations amendments. Until such time as the applicable amendment is approved by the appropriate state commission, WorldCom will submit conversion orders in a manner consistent with applicable FCC rules and Qwest processes.

3. **Reciprocal compensation / Colorado.** The Parties are currently engaged in litigation in the state of Colorado at the Public Utilities Commission (Docket No. 00F-049T) concerning the application of Reciprocal Compensation, under applicable law including the Parties' interconnection agreement, to internet-related traffic exchanged between the Parties. The Colorado Public Utilities Commission recently issued a decision in the above-referenced docket. As part of this Agreement, and in order to resolve these disputes, the Parties agree either that they will take no further action in the above-referenced docket or, in the alternative, the Parties agree that WorldCom will dismiss the above-referenced docket, with prejudice, by filing the appropriate pleading or pleadings. In either event, the Parties agree to forego any appeals of that action that may be available.

4. **Terminating Compensation.** In addition, the Parties have certain other billing disputes regarding terminating traffic and the application of Reciprocal Compensation, under applicable law including the Parties' interconnection agreements, to local exchange and Internet-bound traffic exchanged between the Parties. The Parties agree to waive any and all claims they may have against each other with respect to any and all billing disputes they may have concerning the application of Reciprocal Compensation for local exchange and Internet-bound traffic for usage through and
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including March 31, 2001.

5. **Reciprocal compensation / Amendments.** In addition to the foregoing, the Parties agree to execute all appropriate amendments to implement an intercarrier compensation mechanism for reciprocal compensation for all local traffic and Internet-bound traffic exchanged between the Parties, wherein one party originates the traffic and the other terminates the traffic. An appropriate amendment will be executed in all 14 states in which Qwest operates as an ILEC and in which WorldCom has interconnection arrangements with Qwest, both with respect to existing and future interconnection agreements for the period beginning April 1, 2001 and through March 31, 2004. Such amendments will be in the form, or substantially in the form, attached hereto as Exhibit A. The intercarrier compensation mechanism does not apply when traffic from a third party is involved. The Parties agree that the intercarrier compensation mechanism does not apply to charges related to transiting functions (i.e. switching and transport), or for transport when it is not included in the termination function, as provided for in the applicable interconnection agreement. As a part of this Agreement, WorldCom expressly agrees not to exercise any rights it may have under Sections 251 and 252 of the Act, including pick-and-choose and arbitration, to avoid the obligations of this paragraph until March 31, 2004.

6. **PIC process.** The Parties have disputes and may have claims over an amount paid in protest in 2001, through the effective date of this Agreement, concerning Qwest's current PIC dispute resolution process whereby Qwest investigates slamming claims and bills the party at fault for such claims. The Parties have worked to resolve these disputes and, as a part of this Agreement, the Parties agree to waive any and all

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FINAL C_1

pending claims and protests they may have through the effective date of this Agreement for billing or other disputes related to Qwest's PIC dispute resolution process. The Parties acknowledge that the disputes subject to this waiver are limited to the PIC processing activity of the WorldCom wholesale unit.

7. **DTT.** In order to resolve past billing disputes related to LIS two-way direct trunk transport ("DTT"), and to resolve this issue on a going forward basis, the Parties agree as follows. As of the execution of this Agreement, the Parties waive any and all claims they may have against one and another related to the billing of DTT for usage as of the date of the execution of this Agreement. **In addition, on a going forward basis, the**

Parties will assume a Relative Use Factor ("RUF") of 50 per cent, for each Party, to reduce the applicable rate element charged to the purchaser by the provider of the DTT facilities. The Parties agree to finalize the appropriate amendments to their interconnection agreements, if necessary, within 30 days of the effective date of this Agreement to implement this paragraph of this Agreement. **The Parties will use the 50 per cent RUF until they can negotiate an appropriate RUF, or the parties shall negotiate a RUF which will comply with future changes in law.**

8. **Billing Dispute Resolution Process.** As part of this Agreement, the Parties agree to negotiate promptly an improved billing dispute resolution process which includes a timely resolution of all billing disputes and which shall include a stated time-frame within which billing disputes must be raised with the other Party. Further, the Parties agree that this process shall include steps for involving progressively higher management as necessary to achieve efficient dispute resolution.

9. With respect to the specific billing and provisioning disputes referenced
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FINAL C_1

above, and for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby release and forever discharge one another, including their associates, owners, stockholders, predecessors, successors, agents, directors, officers, partners, employees, representatives, employees of affiliates, employees of parents, employees of subsidiaries, affiliates, parents, subsidiaries, insurance carriers, bonding companies and attorneys, from any and all manner of action or actions, causes or causes of action, in law, under statute, or in equity, suits, appeals, petitions, debts, liens, contracts, agreements, promises, liability, claims, affirmative defenses, offsets, demands, damages, losses, costs, claims for restitution, and expenses, of any nature whatsoever, fixed or contingent, known or unknown, past and present asserted or that could have been asserted or could be asserted in any way relating to or arising out of any billing or provisioning disputes described herein up to and including, the date of the execution of this Agreement.

10. The terms and conditions contained in this Agreement shall inure to the benefit of, and be binding upon, the respective successors, affiliates and assigns of the Parties. In addition, the terms and conditions of this Agreement, including all facts leading up to the signing of this Agreement shall bind the Parties, including contractors, subcontractors and retained professionals.

11. Each Party hereby covenants and warrants that it has not assigned or transferred to any person any claim, or portion of any claim which is released or discharged by this Agreement.

12. The Parties expressly agree that they will keep the substance of the negotiations and or conditions of the settlement and the terms or substance of Agreement strictly
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FINAL C_1

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confidential. The Parties further agree that they will not communicate (orally or in writing) or in any way disclose the substance of negotiations and/or conditions of the settlement and the terms or substance of this Agreement to any person, judicial or administrative agency or body, business, entity or association or anyone else for any reason whatsoever, without the prior express written consent of the other Party unless compelled to do so by law. It is expressly agreed that this confidentiality provision is an essential element of this Agreement. The Parties agree that this Agreement and negotiations, and all matters related to these two matters, shall be subject to the Rule 408 of the Federal Rules of Evidence, and similar rules at the state level. The Parties further agree that a breach of the confidentiality provisions of this Agreement will materially harm the other Party in a manner which cannot be compensated by monetary damages, and that in the event of such breach the prerequisites for an injunction have been met.

13. In the event either Party has a legal obligation which requires disclosure of the terms and conditions of this Agreement, the Party having the obligation shall immediately notify the other Party in writing of the nature, scope and source of such obligation so as to enable the other Party, at its option, to take such action as may be legally permissible so as to protect the confidentiality provided for in this Agreement. At least ten business days advance notice under this paragraph shall be provided to the other Party, whenever possible.

14. This Agreement constitutes the entire agreement between the Parties and can only be changed in a writing or writings executed by both of the Parties. Each of the

Parties forever waives all right to assert that this Agreement was a result of a mistake in
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FINAL C_1

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law or in fact.

15. This Agreement shall be interpreted and construed in accordance with the laws of the State of Colorado except as set forth in paragraph 20 below, and shall not be interpreted in favor or against any Party to this Agreement except as expressly provided herein.

16. The Parties have entered into this Agreement after conferring with legal counsel.

17. If any provision of this Agreement should be declared to be unenforceable by any administrative agency, court of law, or arbitrator, the remainder of the Agreement shall remain in full force and effect, and shall be binding upon the Parties hereto as if the invalidated provision were not part of this Agreement.

18. Any claim, controversy or dispute between the Parties related to or in connection with this Agreement, including the enforceability, formation or existence of this Agreement, shall be resolved by private and confidential arbitration conducted under the then current rules of the American Arbitration Association. The Federal Arbitration Act, 9 U.S.C. §§ et seq., not state law, shall govern the arbitrability of all disputes. The arbitrator shall not have the authority to award punitive damages. The arbitrator's decision shall be final and binding and may be entered in any court having jurisdiction thereof. Each Party shall bear its own costs and attorneys' fees and shall share equally in the fees and expenses of the arbitrator.

19. The Parties acknowledge and agree that they have legitimate disputes about provisioning, billing and other issues and that the resolution reached in this Agreement represents a compromise of the Parties' positions. Therefore, the Parties deny any

wrongdoing or liability and expressly agree that resolution of the issues contained in
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FINAL C_1

20. This Agreement may be executed in counterparts and by facsimile.

IN WITNESS THEREOF, the Parties have caused this Confidential Settlement Agreement to be executed as of this 29th day of June 2001.

MCI WORLDCOM Network Services, Inc.

By: [Signature]

Title: Sec VP

Date: 6/29/01

Qwest Corporation

By: [Signature]

Title: PRESIDENT & COO

Date: 6/29/01