

## QWEST CORPORATION

### IOWA RENEWED PRICE REGULATION PLAN

#### I. PURPOSE

This Renewed Price Regulation Plan (“Renewed Plan”) sets forth the terms and conditions for the renewal, with modification, by Qwest Corporation (“Qwest”) of its Price Regulation Plan (“Initial Plan”) which became effective November 7, 1998 and which was renewed effective November 7, 2001. Under the Renewed Plan, the prices, charges, terms and conditions for the provision of basic and nonbasic services by Qwest shall be established or changed in accordance with this Renewed Plan. During the effective time period of this Plan, Qwest will not be subject to rate of return regulation by the Iowa Utilities Board (“Board”) pursuant to Chapter 476 of the Iowa Code.

#### II. EFFECTIVE DATE AND TERM

- A. Effective Date. The effective date of the Initial Plan was November 7, 1998 with an expiration date of November 6, 2001. The Initial Plan was renewed effective November 7, 2001 and will expire on November 6, 2004. This Renewed Plan will become effective November 7, 2004.
- B. Expiration. This Renewed Plan will remain in effect for a term of three years from its effective date.
- C. Renewal. Qwest will have the option to renew the Renewed Plan for additional terms of up to three years upon written notice to the Board at least ninety (90) days prior to its expiration date, upon the terms and conditions effective prior to the expiration date unless, at Qwest’s option, a new plan is submitted by Qwest and approved by the Board.
- D. Termination. Qwest may terminate this Renewed Plan upon ninety (90) days written notice in the event the United States Congress, the Iowa Legislature or the Board either permits deregulation of the industry or permits forms of regulation which are determined by the Board to be less restrictive than this Renewed Plan or with approval from the Board.

### **III. BASIC COMMUNICATIONS SERVICES**

- A. Definition. Basic Communications Services (“BCS”) are those services defined by statute as BCS that are shown on Exhibit A and will include all other services reclassified by the Board pursuant to Iowa Code Section 476.96.
- B. Initial Prices of the Renewed Plan and Inflation/Deflation Calculation. Initial BCS rates, including Intrastate Access Service rates, for the Renewed Plan will be the rates in effect November 6, 2004. Thereafter, Initial BCS rates may be increased or decreased by the amount of the annual inflation/deflation rate as defined in Section III, C and D. These initial prices exclude any state or federal surcharges in effect on November 6, 2004. The annual inflation/deflation rate may be changed by a Board rule, which change will constitute a Board-ordered modification of this Plan.
- C. Price Increases. Qwest may increase any BCS price, except for intrastate switched access service, by a percentage amount equal to the annual inflation rate on an anniversary date of the effective date of this Renewed Plan.
1. For the plan year commencing on November 7, 2004, and for each subsequent year of operation under a price regulation plan, the inflation rate shall be calculated using chain-type Gross Domestic Product Price Index (GDPPI) values published in the current year’s September edition of the U.S. Department of Commerce’s *Survey of Current Business*. The GDPPI values used shall be those pertaining to the 2nd quarter of the current year and the 2nd quarter of the previous year. Both GDPPI quarterly values shall be taken from Table 1.1.4 of the current year’s September edition. In the event a September edition does not report chain-type GDPPI values in Table 1.1.4, both GDPPI quarterly values shall be taken from a single table contained within the September edition that reports chain-type GDPPI values comparable to those currently reported in Table 1.1.4.

On October 1 of each plan year, Qwest will file its calculation of the annual rate of inflation experienced during the current plan year along with its calculation of any BCS rate increase permitted as of the next anniversary date by section III (C) of the Renewed Price Regulation Plan.

Also in its October 1<sup>st</sup> filing, Qwest will, if applicable, propose new tariffs implementing BCS rate changes.

The magnitude of any permissible basic communications services rate increase applicable to a price plan year shall not be recalculated in subsequent price plan years using GDPPI values reported in editions of the *Survey of Current Business* published after the September edition previously specified.

2. Price increases can be accumulated for not more than three (3) years.
3. No accumulated price increase can be implemented which exceeds 6%.
4. Deferred price increases can be implemented anytime after an anniversary of the date of the effective date of this Renewed Plan.

D. Price Decreases.

1. Qwest may decrease any BCS price to any lawful price, provided however, Qwest shall decrease its BCS price in a percentage amount equal to the annual rate of deflation (determined in accord with C. above) on an anniversary date of the effective date of this Renewed Plan. If the required decrease is less than 2%, the reduction may be deferred for one year. In its October 1<sup>st</sup> filing, Qwest will give notice of its election, if any, to defer a required BCS rate decrease of less than 2% for one year. Any required price decrease can be offset by a price increase which would have been permitted during the preceding twelve months.

- E. Price Adjustments. Qwest may file a proposal with the Board to restructure pricing for intrastate switched access service provided to carriers in order to reflect changes in the product. The Board, after reasonable notice and opportunity for hearing, shall approve, modify, or reject the restructured pricing proposal for intrastate switched access service. The restructuring must not increase Qwest's average intrastate switched access service rates.

F. Increases or Decreases Due to Exogenous Factors.

The Board, after reasonable notice and opportunity for hearing, may prescribe proportional increases or decreases for appropriate BCS and NCS prices to reflect in prices, changes in revenues, expenses and investments, due to exogenous factors beyond the control of Qwest.

Proceedings before the Board to deaverage rates for unbundled network elements and related proceedings concerning support for universal service, or significant structural changes in the local service market due to

competition that affect Qwest's revenues, expenses, and investments may be considered by the Board to be exogenous factors that warrant a change in Qwest's rate design. The preceding sentence shall not be construed to limit the possible types of exogenous factors that may support a change in rates.

- G. Decreases Due to Competition. Qwest may decrease any BCS rate in a particular exchange or exchanges to a level which exceeds cost to respond to competition. Under no circumstances will an exchange-by-exchange rate reduction for a BCS service result in increases in BCS rates for other exchanges nor shall it reduce the amount of reduction otherwise applicable for other exchanges. Any decreases in BCS rates on an exchange-by-exchange basis may be used to offset any annual deflation decreases which would otherwise be applicable for a given exchange.

#### IV. NONBASIC COMMUNICATIONS SERVICES

- A. Definition. Nonbasic Communications Services ("NCS") includes all those services not included in BCS and not deregulated. All new services offered by Qwest following the initial effective date of the Plan, November 7, 1998, will be NCS, except for services reclassified by the Board under Iowa Code section 476.96.
- B. Initial Prices. The initial prices for existing NCS services shall be those prices in effect at the effective date of the Renewed Plan. The initial price for all new services shall be the price in effect on the tariff effective date.
- C. Price Changes. Qwest will establish and change prices, terms and conditions for NCS on the following basis:
  - 1. A tariff reflecting such establishment or change shall be filed with the Board.
  - 2. The tariff shall become effective immediately upon filing the tariff.
  - 3. Increases in Qwest's aggregate revenue weighted NCS prices shall not exceed 6% in any 12-month period.

#### V. DEREGULATED COMMUNICATIONS SERVICES

- A. Definition. Deregulated Communications Services ("DCS") includes all those products or services that have been deregulated by the Board, and offered by Qwest on a deregulated basis, and those BCS or NCS that may be deregulated pursuant to Iowa Code 476.1D during the term of this Renewed Plan and, thereafter, offered by Qwest on a deregulated basis.

- B. Qwest will establish and change prices, terms and conditions for DCS on the same basis as exists at the commencement of this Renewed Plan.

**VI. UNIVERSAL SERVICE**

Qwest shall not be precluded from collecting surcharges that may be ordered by the Board to support universal service.

**VII. EXCHANGE SALE**

Qwest will decrease its BCS rates in a percentage amount equal to the percentage change in its average cost resulting from the sale of an exchange in this state if the percentage change is greater than 5%. The calculation of percentage change will be submitted to the Board in a filing related to the sale.

**VIII. INTERCONNECTION AND WHOLESALE RATES**

- A. The pricing of unbundled network elements offered to carriers shall not be affected by the price increase or decrease provisions of the Renewed Plan. Prices for unbundled network elements shall conform to those set or allowed by the Board.
- B. Discount percentages applicable to telecommunications services purchased by resellers shall be unaffected by this Renewed Plan, but the prices of retail services purchased by resellers, will vary as the prices Qwest charges its retail end-user customers for telecommunications services changes.

**IX. NOTICES**

- A. Board and OCA. To the extent that services remain regulated services, Qwest will file tariffs with the Board and the Office of Consumer Advocate (“OCA”) a division of the Iowa Department of Justice, reflecting price and service changes. Tariffs will be filed at least 30 days in advance of the effective date for increases in BCS rates and upon the effective date for decreases in BCS rates or any changes in rates for NCS rates.
- B. Customer Decreases. Customers, Board and OCA will be notified of any decrease in BCS or NCS service prices not later than at the time of any billing reflecting a decrease.
- C. Customer Increases. Customers, Board and OCA will be notified at least thirty (30) days in advance of any increase in BCS service prices and at a minimum of ten (10) days in advance of any increase in NCS service prices