

STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of
U S WEST Communications, Inc.
for Approval of its Alternative Form
of Regulation Plan

U S WEST COMMUNICATIONS, INC.

**MODIFIED
ALTERNATIVE FORM OF REGULATION
PLAN FOR THE STATE OF MINNESOTA**

Filing Date: January 11, 1999

Effective Date: January 1, 1999

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I. PREFACE

On the Plan Effective Date, U S WEST Communications, Inc. (USWC) shall be subject to an alternative regulation plan in Minnesota as set forth in the Plan. The elements of the Plan are set forth in detail in the following sections. The Plan is intended to promote customer satisfaction with service quality and equitable prices for telecommunications services as the telephone industry, including USWC, undergoes the transition to a competitive environment.

II. DEFINITIONS

A. Commission. Commission means the Minnesota Public Utilities Commission.

B. Department. Department means the Minnesota Department of Public Service.

C. Effective Price. Effective Price means the Initial Price after taking into account reductions to price attributable to payments from a universal service fund or increases to price attributable to any payments or surcharges of whatever kind related to implementation of a state universal service fund.

D. Flexibly Priced Services. Flexibly priced services include retail services offered by USWC that have not been classified as either price-regulated or non-price-regulated services. Specific services, or categories of services, that are classified as flexibly priced services under this Plan are listed in Appendix A, pp. 3-6. Existing Services that have not been specifically identified in Appendix A, or are not included

within specific categories of services identified in Appendix A, will be classified as price regulated until such services are reclassified as a result of a proceeding to reclassify a service.

E. Initial Price. Initial Price means the tariffed price of a price-regulated service on file with the Commission and in effect on the date of the filing of this Plan, or any prices established by this Plan including the price after any applicable credits or prices that are scheduled to be reduced over a period of time as set forth herein. If a new service is introduced as a price-regulated service subsequent to the filing of this Plan, the Initial Price shall be the tariffed price filed by USWC or finally approved by the Commission, excluding any introductory promotions or incentives to subscribe to the service. Initial Price does not include any federally tariffed rates or payments from customers pursuant to Minn. Stat. §237.49, but does include any payments from customers pursuant to Minn. Stat. §237.16, subd. 9, required to fund a universal service fund except as may otherwise be provided herein. The Initial Price for a price regulated service offered by USWC as of the Plan Effective Date, as modified by the reductions set forth in this Plan, are deemed to be fair, just and reasonable for the term of the Plan except as may otherwise be provided herein.

F. New Service(s). New services mean functions, features, or capabilities that are not offered by USWC in Minnesota on the Plan Effective Date. A rebundling or packaging of existing services or new services with another service or services shall not constitute a new service.

G. Non-Price-Regulated Services. Non-price-regulated services are those retail services that satisfy the criteria set forth in Minn. Stat. § 237.761, subd. 5.

Specific services that are classified as non-price-regulated under this Plan are listed at Appendix A, pp 7-8.

H. Price List. Price list means a schedule filed with the Commission that describes the rates, terms and conditions of flexibly priced and non-price-regulated services provided by USWC.

I. Price-Regulated Services. Price-regulated services are those retail services that satisfy the criteria set forth in Minn. Stat. 237.761, subd. 2. Specific price-regulated services are listed in Appendix A, pp. 1-2.

J. Tariff. Tariff means the schedule filed with the Commission that describes the rates, terms, and conditions of price-regulated services provided by USWC.

K. Total Service Long Run Incremental Cost or "TSLRIC." As used herein, Total Service Long Run Incremental Cost shall have the meaning defined in Minn. Stat. § 237.772, subd. 1(a).

III. PRICE AND SERVICE QUALITY REGULATION

A. Alternative Regulation

From the Plan Effective Date, the Commission will regulate the prices for the price-regulated and flexibly-priced services provided by USWC as provided in this Plan and shall oversee USWC's provision of service in accordance with Appendix B attached hereto and incorporated in this Plan. USWC is not subject to rate of return regulation or earnings investigations pursuant to sections 237.075 or 237.081 of Minnesota Statutes

during the term of the Plan. Similarly, except as otherwise specified in the Plan, USWC is not subject to the provisions of sections 237.57, 237.58, 237.59, 237.60, subds. 1, 2, and 5, 237.62, 237.625, 237.63 or 237.65 of Minnesota Statutes during the term of the Plan. Other provisions of Chapter 237 of Minnesota Statutes, including Minnesota Statute 237.60, subd. 4, and applicable rules will continue to apply to the provision of services by USWC. Except as provided herein, the Commission retains its authority under section 237.081 to investigate matters other than rate of return and earnings and to issue appropriate orders, and the Department retains its authority under sections 216A.07 and 237.15 to investigate matters other than the rate of return and earnings of the Company.

B. Effective Date

This Plan is effective on January 1, 1999 (the "Plan Effective Date").

C. Duration and Renewal

The Plan shall be adopted pursuant to the requirements of Minn. Stat. § 237.764, subd. 1(e), and will continue for a period of five (5) years (60 consecutive months) from the Plan Effective Date. As provided in Minn. Stat. § 237.766, "Within six months prior to the termination of the Plan, the Plan must be reviewed by the Commission and, with the consent of the Company, revised or renewed" On an annual basis and six months prior to the termination of the Plan, USWC shall file an Investment Report with the Commission. The Investment Report shall summarize USWC's implementation of the investment plans described in Appendix C. In addition, the Commission may review the quarterly quality of service reports previously filed by USWC pursuant to the service quality plan set forth in Appendix B.

Six months prior to the termination of the Plan, USWC shall file its recommendations with the Commission to continue the Plan in its approved form or to modify the Plan in some respect. USWC shall serve a copy of its proposal on all parties to this proceeding and such other persons as the Commission shall designate.

Interested parties shall have such time as the Commission shall designate to file comments on the proposal submitted by USWC. The Commission shall establish such procedures as it deems necessary to make a determination on the proposal. The Commission shall conduct any proceedings to make a final determination on USWC's proposal pursuant to Minn. Stat. § 237.61. If the Commission is unable to render a decision on USWC's recommendation before the expiration of the Plan, USWC may allow the Plan to expire according to its terms. If USWC agrees, and after receiving comments from the Department of Public Service and interested parties, the Commission may extend the Plan for up to twelve (12) additional months, on the same terms and conditions as the existing plan, to enable it to arrive at a decision. If the Commission rejects or modifies USWC's proposal in a manner that is unacceptable to USWC, USWC may permit the Plan (or the Plan as extended as described above) to expire according to its terms or at the expiration of the extension and shall be regulated pursuant to Minn. Stat. Chapter 237 and Commission Rules as then in effect.

IV. SERVICES PROVIDED: CLASSIFICATION, RATES AND PRICES

A. Initial Classification

1. Specific services that are initially classified as price-regulated services are listed in Appendix A, pp. 1-2. Both recurring and nonrecurring charges for these services are price-regulated.

2. Specific telephone services not listed in Appendix A, pp. 1-2, as price-regulated or otherwise determined by the Commission to be price-regulated, and not listed in Appendix A, pp. 7-8, as non-price-regulated or otherwise determined by the Commission to be non-price-regulated, are classified as flexibly priced. Specific services initially classified as flexibly priced are listed on Appendix A, pp. 3-6. Existing services that are not specifically identified in Appendix A, or included within categories of services identified in Appendix A, will be classified as price regulated until such services are reclassified as a result of a proceeding under Section IV.B. of this plan.

3. Specific services or categories of services that are initially classified as non-price-regulated are listed on Appendix A, p. 5.

4. All services offered by USWC which are not telephone services and/or are not subject to regulation by the Commission are not subject to regulation under this Plan. Such services include, but are not limited to, radio common carrier services, customer premise equipment, and inside wiring.

B. Reclassification of Services

1. USWC, or the Commission on its own motion, the Department, OAG, or any other party retain the right during the term of this Plan to propose the reclassification of services listed in Appendix A. Any reclassification of services shall be in accordance with Minn. Stat. § 237.761, subds. 2, 3, 4 or 5, as provided in Minn. Stat. § 237.761, subd. 6, except as otherwise provided herein.

2. As permitted pursuant to Minn. Stat. § 237.761, subd. 6, the Commission on its own motion, USWC or any other party may file a petition for reclassification of a USWC service at any time during the term of the Plan by filing a petition and supporting documents addressing the relevant statutory criteria. Unless comments opposing the petition are filed within 30 days of the issuance of the Commission motion or the filing of a petition, the Commission shall issue an order approving the unopposed petition within 60 days of the issuance of a Commission motion or the filing of a petition. The Commission may suspend a reclassification petition on its own motion. If a party files an objection to the petition within 30 days, the Commission shall conduct a contested case proceeding, or, if requested by USWC, an expedited proceeding pursuant to Minn. Stat. § 237.61. The Commission shall issue its Order Before Reconsideration within six months of the issuance of a Commission motion or the filing of a reclassification petition.

3. If a price regulated service is reclassified as flexibly priced or non-price-regulated, USWC may not increase the price of the reclassified service above its Initial Price during the first three years of the Plan unless USWC can demonstrate to the Commission good cause why the Initial Price should be exceeded. After the Plan has been in effect for three years, any service that has been reclassified during that period shall be regulated in the same manner as other services in the same classification.

C. The Introduction of New Services

1. Filing. As provided in Minn. Stat. § 237.761, subd. 7, at the time USWC first offers a service, USWC shall file with the Commission a tariff or price list and the proposed classification for the service, along with a written explanation of why the service classification is consistent with Minn. Stat. § 237.761. In addition, USWC shall

provide to the Commission a certification that the price of the service exceeds its TSLRIC. New services classified as price-regulated may be offered to customers ten (10) days after notice to the Commission and the Department. New services classified as flexibly priced or non-price-regulated may be offered to customers one (1) day after filing. Upon objection, the Commission may investigate the price, terms or conditions of a new service, but such objection or investigation shall not preclude, delay, or prevent USWC from offering the service pending the completion of Commission proceedings if USWC chooses to do so.

2. Classification. If no interested party or the Commission objects to USWC's classification within thirty (30) days from the date of filing, USWC's proposed classification is approved. USWC shall have twenty (20) days to respond to any objections and after such further proceedings as may be appropriate the Commission shall make a final determination as to the appropriate classification within ninety (90) days from the date of the filing of the new service.

3. Other Issues. Any objections to a new service by an interested party or the Commission other than to classification of the service (including whether the service is priced above cost) must be filed within ten (10) days of the date of filing by USWC. USWC shall have ten (10) days to file a response. The Commission must make a final determination on the merits of all issues regarding such new service offering, other than classification, within 45 days of the date of the filing of the new service, but retains its authority to further investigate the service thereafter pursuant to Minn. Stat. §237.081.

D. Initial Prices, Tariffs and Price Lists

1. Revised Tariffs and Price Lists. Within 30 days of Commission approval of this Plan, USWC shall update its tariffs and price lists consistent with the terms of this Plan.

2. Price-Regulated Services. The Initial Price for price-regulated services offered by USWC to its customers is the tariff/price list rate on file with the Commission on the date of the filing of this Plan, or the price established in this Plan.

The recurring and non-recurring rates or prices for price-regulated services may not exceed the Initial Prices established under this section for the term of the Plan, except as otherwise provided in the Plan.

3. Flexibly Priced and Non-Price-Regulated Services. The revised price lists for flexibly priced and non-price-regulated services filed pursuant to section IV.D.1 above shall include the price on file with the Commission as of the Plan Effective Date. Prices may change for flexibly priced and non-price-regulated services during the term of the Plan as set forth below.

4. Switched Access Service Prices.

a. Access Charge Settlements. USWC shall complete its obligations under access charge settlements previously approved by the Commission, and the Plan does not change the terms of any access charge settlements approved by the Commission.

b. Changes to Access Service Prices. Other than as specified in this paragraph IV.D.4, USWC shall not be required by Commission order to make additional reductions in the intrastate access rates during the first three years of the

Plan. These reductions are sufficient to warrant the dismissal of pending complaints against USWC regarding access charge levels and the Commission shall enter orders separately in each of those proceedings. These reductions also exempt USWC from any further access revenue reductions that may result from any statewide access charge investigation the Commission institutes regarding access charges. No earlier than thirty months after the Plan Effective Date, any party may file a complaint regarding USWC's access charge levels, provided that, after notice and opportunity for hearing, any access charge reduction ordered by the Commission may not become effective until after the third year of the Plan. In any complaint proceeding concerning access charge levels, USWC may request offsetting price increases, including increases in the prices of price regulated services or increases in universal service fund payments to U S WEST, or any combination of both, to offset any further ordered access charge reductions.

(i) U S WEST will reduce the composite rate of Carrier Common Line (CCL) element of switched access to \$0.021064 at the initiation of the plan or September 1, 1998, whichever is later.

(ii) U S WEST will further reduce the composite rate of CCL to \$0.014021 one year after the reduction listed in Section IV.D.4.b.i.

(iii) U S WEST will further reduce the composite rate of CCL to \$0.006977 two years after the reduction listed in Section IV.D.4.b.i.

(iv) Appendix D, p. 1 is a breakdown of price changes by individual CCL element.

(v) During the time this Plan is in effect, USWC may implement further reductions in switched access rates based on its evaluation of market conditions.

(vi) The access charge complaints pending in Docket No. P443,421/C-97-566 and Docket No. P407,405,421,430/C-97-1220 shall be dismissed with respect to USWC, and no further access charge complaints or investigations regarding access revenue reductions may be initiated against U S WEST during the first 30 months of the Plan.

C. Flow through to Toll Rates

To ensure that the beneficiaries of the access charge reductions are Minnesota customers, AT&T, MCI and Sprint agree to flow-through intrastate access cost reductions implemented by USWC pursuant to the stipulation. The flow-through shall include cost savings due to elapsed time from the date the access charge reductions took place and the effective date of any toll reductions. As part of this flow-through, AT&T, MCI and Sprint will flow access charge reductions through to rates for dial station basic services in a proportionate relationship of minutes of use for these services to total minutes of use. The effective date of the basic rate reductions shall be within 30 days of the access charge reductions. Any pricing plans that are tied to the basic rates, as well as non-basic services, shall not be included in calculating this percentage or subject to this specific flow-through requirement. The flow-throughs to basic rates shall not be in the form of promotions. Advertising expenditures shall not constitute any portion of the flow-through commitment. In the event that basic residential and business long distance rates are no longer required to be equal by statute, AT&T, MCI or Sprint may petition the MPUC for revisions to the basic schedule flow through requirement without revising the overall flow through requirement.

AT&T, MCI and Sprint agree not to increase their basic rates during the first three years of the plan, except to the extent that non-USWC LECs have implemented access charge increases that exceed non-USWC access charge decreases. Such increases to basic rates will be limited to the portion of the cost increase associated with basic service. AT&T, MCI and Sprint may, at any time, increase the rates for their non-basic services to the extent that such increases do not violate the provisions of the following paragraph. AT&T, MCI and Sprint may also flow through to basic customers any new or additional exogenous taxes or regulatory assessments or charges imposed on AT&T, MCI and Sprint to the extent not otherwise precluded by Commission rules, including, but not limited to, any new or increased charges or assessments designed to support any universal service program or educational rates. Notwithstanding the foregoing provisions of this paragraph, AT&T, MCI and Sprint may restructure their basic schedules so long as the average price per minute is not increased as a result of such restructure.

Subject to the above provisions, AT&T, MCI and Sprint agree that Compliance with this flow through commitment requires that their average revenue per minute decrease in proportion to the average cost per minute reduction in switched access charges resulting from the stipulation for the first three years of the USWC AFOR Plan. AT&T, MCI and Sprint will submit to the Department on a proprietary basis at the initiation of the AFOR plan, and after each of the first three years of the plan, their total intrastate revenue, total intrastate access costs and total minutes of use for intrastate Minnesota, for the most recent 12 months for which data is available. This data will be used to show that each company's average revenue per minute has decreased in proportion to the average cost per minute reduction in switched access charges resulting from the stipulation during the first three years of the plan. Any deficiencies will be amortized over the remaining term of the three years. Proposed rate changes to remedy any deficiency will be filed at the time the deficiency is recognized.

USWC agrees to cap its basic toll rates for intraLATA service in Minnesota for a period of three years.

5. Adjustments to Certain Other Initial Prices. On the Plan Effective Date, USWC shall adjust the Initial Prices for the following services:

a) Changes to Residential Initial Prices.

(i) USWC will apply a reduction to rates for residential flat rate single party service (1FR) of \$0.77 per month in the Minneapolis/St. Paul Metropolitan Exchange as defined in USWC's Exchange and Network Services Tariff 5.1.3.B.2. The reduction will apply for the entire term of the Plan.

(ii) USWC will reduce its toll blocking non-recurring charge from \$27.50 to \$5.00 and its CustomNet non-recurring charge from \$30.00 to \$5.00.

(iii) USWC will reduce Extended Area Service rates in certain exchanges as identified in Appendix D, p.2.

(iv) USWC will reduce rates for law enforcement trap and trace/pen register services by 50%.

b) Changes to Business Initial Prices.

(i) U S WEST will reduce business line rates in the Minneapolis/St. Paul Metropolitan local calling area as defined in USWC's Exchange and Network Services Tariff 5.1.3.B.2 according to the schedule identified in Appendix D, p.3. The reduction will apply for the entire term of the Plan.

(ii) USWC will reduce Extended Area Service rates for business customers in certain exchanges as identified in Appendix D, p. 2.

(iii) USWC will reduce its toll blocking non-recurring charge from \$27.50 to \$5.00 and its CustomNet non-recurring charge from \$30.00 to the cost of providing the services as determined by USWC's cost studies.

6. Estimated Revenue Impact. The estimated revenue impact of the reductions discussed above is identified in Appendix D, p. 4.

7. Effect of Reductions. These reduced prices reflected in Sections II.D. 4 and 5 shall be the Initial Price for these services for purposes of the Plan including Section IV.F.2. below.

8. Land Development Tariff. USWC will file a modification to Section 4.4.1 of its Land Development tariff to eliminate residential customer responsibility under that tariff.

9. Service Blocking. USWC will provide its customers the ability to block any new or existing service which it offers or provides and which is not required to be offered pursuant to Minn. Rules 7812.0600. If a customer elects a blocking option and later chooses to have the service unblocked, then any subsequent request to block the same service may be subject to a nonrecurring charge not to exceed \$5.00. This requirement shall not apply to services that require affirmative subscription by the customer.

E. Permitted Tariff Changes for Price-Regulated Services

USWC may change its prices for price-regulated services during the term of the Plan in the following circumstances:

1. Changes Within Authorized Range. During the term that the Plan is in effect, USWC may change prices for individual price-regulated services pursuant to the procedures set forth below, so long as the new price is not below the TSLRIC of the service and does not exceed the Initial Price for the service (“authorized price range”).

2. Authorized Changes. During the term the Plan is in effect, income neutral rate changes for price-regulated services are not permitted except: 1) as necessary to implement extended area service or any successor to that service, except to the extent that the Commission determines on a state-wide basis that EAS no longer need be set on an income neutral basis and 2) as permitted by Minn. Stat. § 237.762, subd. 5. In accordance with § 237.762, subd. 5, after rules relating to local telephone competition are adopted by the Commission pursuant to Minn. Stat. § 237.16, USWC may petition the Commission to collect universal service surcharges from its customers. During the first three years of the Plan, any universal service surcharge implemented as a result of Commission promulgated rules must be combined with implementation of a state universal service fund, shall be implemented on an income-neutral basis and shall not result in an effective price for price regulated services, including the application of the universal service surcharge, higher than the Initial Price for such price regulated services.

3. Changes After Two Years. After the Plan has been in effect for two years, USWC or other parties may petition the Commission to change the initial prices for price-regulated services to reflect the following:

- a) changes (decreases or increases) in state and federal taxes;
- b) changes (decreases or increases) in jurisdictional allocations from the Federal Communications Commission, the amount of which USWC cannot control and for which equal and opposite exogenous changes are made on the federal level; and
- c) Substantial financial impacts of investments in telecommunications infrastructure which are made: (i) if the investments, for any 12-month period, exceed 20 percent of the gross plant investment of the company; or (ii) are the result of

governmental mandates issued after the Plan Effective Date to construct specific telephone infrastructure, the mandate applies to local telephone companies, USWC would not otherwise be compensated for the cost of such investments, or (iii) are the result of governmental mandates described in (ii) above, but issued before the Plan Effective Date, and the actual financial impact upon USWC exceeds the impact projected before the Plan Effective Date.

4. Price Changes After Three Years.

a. If after the first three years of the Plan, the Commission further reduces access charges, USWC may petition the Commission to increase the price of other price-regulated services pursuant to Section G.1.(d)

b. If the Commission establishes a state universal service fund, USWC may petition to collect any net increases in expense it experiences beginning in the fourth year of the Plan, as a result of implementation of the state universal service fund (e.g., the extent to which USWC's required contributions to the fund exceed revenues USWC receives from the fund) through surcharges collected from its customers.

5. Conditions on Petitions to Increase Prices. Consistent with Minn. Stat. 237.762, subd. 5, which generally prohibits income neutral price changes to price-regulated services, any petition for price increases under this section E.3 and E.4 shall ensure that there is an appropriate allocation of the financial impact to flexibly priced and non-price regulated services. Approval of any increase to price regulated services pursuant to Section E.3 and E.4 is conditioned upon Commission determination that the Company is in substantial compliance with its service quality standards as set forth in Appendix B. The Commission may, after such proceedings as may be appropriate, reject, approve, or modify any petition brought pursuant to Section IV.E. 2. 3. And 4. based on the facts and argument presented by any party.

6. Changes At Any Time During The Plan. At anytime during the Plan, USWC shall file a proposal to reduce prices if it is a net beneficiary of the state universal service fund, or USWC is required by law to apply federal universal service funds towards intrastate rates in Minnesota and it is either: i.) a net beneficiary of a federal universal service fund, or, ii.) it is a beneficiary of a federal universal fund and it is collecting federal universal service charges from its Minnesota customers. Any party, or the Commission on its own motion, may seek an investigation to establish that USWC is required to file a petition to reduce rates pursuant to this provision.

F. Permitted Price Changes for Flexibly Priced and Non-Price-Regulated Services

1. USWC may change its prices for flexibly priced and non-price-regulated services pursuant to the procedures set forth in this Plan. Prices for these services may be increased above their Initial Prices and may be reduced to the TSLRIC of providing the service.

2. Notwithstanding any other provision of this Plan, prices for residential and basic business call waiting and local directory assistance (including one (1) free call allowance) shall not be increased for the first three years of the plan. The Company may petition the Commission to increase rates for these services provided that any proposed increase must not exceed 10% in each of the remaining years, and consistent with all other provisions of Section G.2.

G. Procedures for Changes to Service Prices, Terms and Conditions of Service and for Implementation of Universal Service Surcharge

1. Price-Regulated Services.

a) Changes Within Authorized Range. With regard to price changes within the authorized price range for price-regulated services permitted by Section IV.E(1) above, USWC may implement price changes upon 30 days notice to affected customers and by filing with the Commission the following:

- i. A revised tariff page reflecting the change and the effective date of the change;
- ii. A sworn certificate that the new price is within the authorized price range as measured by the most recent cost study of TSLRIC for the service (or the most recent variable cost study for the service if the Commission authorizes the use of variable cost as the price floor) and the Initial Price for the service. The Commission or Department of Public Service may require USWC to submit the cost study relied upon by USWC to support the price change.

The Commission may temporarily suspend the effective date of a price change if it finds, before the new price is implemented, that there is good cause to believe that the service is priced outside of the authorized price range or is discriminatory. If the proposed change is not temporarily suspended by the Commission, it is deemed approved. If the Commission temporarily suspends the effective date of any proposed change, after such proceedings as may be appropriate it must make a final determination on the matter within 30 days from the date of the suspension.

b) Authorized Changes and Changes After Two Or Three Years. With regard to price changes authorized by Sections IV.E (2) and (3) above, any party may file a petition for approval of rate decrease. USWC may file a petition for approval of rate increases with the Commission, Department, and notice to affected customers under sections IV. E. (2), (3), (4)(b) pursuant to the procedures of this provision. The Commission shall establish an appropriate procedural schedule and, after such proceedings as may be appropriate, shall make a determination on a petition for rate change within 120 days after the date of the filing of the petition. Filings by USWC shall include the following:

- i. A proposed tariff page (or pages) reflecting the change (or changes);
- ii. Sworn documentation that demonstrates that the change is authorized by Sections IV.E (2), (3) or (4)(b) above, that calculates the additional revenue for which USWC may seek recovery, that demonstrates the revenue impact of the proposed price changes, and that demonstrates how the additional proposed revenue has been allocated between the various categories of service, where applicable.

c) Universal Service Fund Changes. After the Plan has been in effect for 2 years, USWC may propose an increase for a surcharge on price-regulated services to support a state universal service fund to be effective after the Plan has been in effect for three years pursuant to the procedures in Section G.1.b. The Commission shall, after such proceedings as may be appropriate, issue a decision on USWC's proposal within twelve months of the filing of the proposal.

d) Changes After Three Years Related to Access Charge Reductions. With regard to price changes authorized by Section IV.E.4.a, USWC may request offsetting price increases, including increases in the prices of price

regulated services or increases in universal service fund payments to USWC, or any combination of both, to offset any further ordered access charge reductions pursuant to Section IV.D.4.b. the Commission shall establish an appropriate procedural schedule to deal with issues involved in the access charge complaint and to make decisions on all issues raised in the proceeding. The Commission has authority to order further access charge reductions and to accept, modify or reject any offset proposed by USWC pursuant to Section IV.E.5.

e) Changes After Three Years Related to Systemwide Deaveraging Effective rates for price-regulated services may be increased after three years pursuant to Section IV.K.2. of the Plan.

f) Time Line For Other (Miscellaneous) Changes to Price-Regulated Services. USWC may modify its tariffs for price-regulated services under the following timelines: a) for language changes, one day after filing the tariff; b) for significant changes in the conditions of service, 20 days after filing the tariff and notice to affected customers; c) except as provided in section IV.J., for a new pricing plan that bundles rate elements, alters the definition of the rate elements, or includes increases for some rate elements and decreases for other rate elements, on the same schedule and notice requirements as price increases for flexibly priced services under the Plan; d) for a change not otherwise covered in the Plan, same schedule as price increases for flexibly priced services under the Plan.

Interested parties shall have 30 days to file comments from the date of the initial filing of any change in the price-regulated service tariffs as identified in this paragraph. After such proceedings as may be appropriate, the Commission shall issue its order within 90 days of the initial filing. The Commission, or its designee, may extend the

date by which the Commission must issue the decision by not more than 60 days for good cause shown. Nothing in this section prevents the Commission from ordering that a requested change not take effect, or from subsequently amending the change through a complaint proceeding or a Commission investigation. A copy of filings made under this section must be served on the Commission, the Department, and Attorney General.

For purposes of this paragraph f) as well as for changes to price regulated services after two years or three years under Section IV.E.2. 3. or 4, USWC shall not be permitted to increase prices for price-regulated services unless it is in substantial compliance with applicable service quality standards. The terms for determining substantial compliance are set forth in Appendix B.

2. Flexibly Priced Services. Except as otherwise specified in the Plan, flexibly priced services shall be regulated consistent with Minnesota statutes section 237.60, subd. 2.

USWC may implement price decreases for flexibly priced services immediately upon notice to the Commission and affected customers. USWC may implement price increases for flexibly priced services 20 days after filing with the Commission and the provision of notice to affected customers. The filing shall include the following:

- a) A revised price list page (or pages) reflecting the change and the effective date of the change;
- b) A sworn certificate that the new price is above the TSLRIC of providing the service (or variable cost if the Commission permits the use of a variable cost floor for the service) as measured by the most recent applicable cost study for the service. The

Commission or Department of Public Service may require USWC to submit the TSLRIC cost study relied upon by USWC to support the price change.

Any party may object to a proposed price change by filing an objection within 20 days of the date of the filing by USWC. If an objection is filed to a proposed price change, the Commission must make a final determination on the matter within 90 days of the date of the filing by USWC and may reject or modify the change if it finds that the proposed price is below the applicable cost floor or is not fair or reasonable under Minn. Stat. § 237.06. Filing of an objection does not prevent or preclude USWC from implementing the proposed price change if USWC chooses to do so. Any price increases implemented by USWC while an objection is pending are subject to refund upon a final determination on the objection by the Commission.

3. Non-Price-Regulated Services. USWC may implement price and other miscellaneous changes for non-price-regulated services immediately upon notice to the Commission, the Department and affected customers pursuant to section IV.H. by filing a revised price list reflecting the change and the effective date of the change. Prices for these services are not subject to approval or investigation by the Commission except as expressly permitted by Minn. Stat. § 237.761 , subd. 6, § 237.762, subd. 6, § 237.770, and § 237.771. Notwithstanding any other provision of the Plan, the Commission on its own motion, the Department, the Attorney General, or any other party, may file an objection to a price increase for Category A non-price regulated service on the ground that the proposed increase will impede the development of fair and reasonable competition or result in substantial customer harm so as to warrant Commission intervention. Filing of an objection does not prohibit implementation of the rate which is not subject to a refund. Rates for any non-price regulated services may not be geographically deaveraged without prior Commission approval.

date of the Plan. The initial information will include an explanation of the AFOR Plan and summarize the major changes in initial prices under the Plan.

3. Blocking Services Itemized On Customer Bills. USWC will itemize on customer bills any blocking service that USWC is required to offer under statute or rules and which the customer has selected, including, but not limited to, 1-900 number blocking, toll blocking, and per-line blocking of CLASS service (i.e., Caller ID).

I. Cost Studies

For purposes of this Plan, the term TSLRIC is defined as set forth in Section II.K above, and the term Variable Cost Study is defined as set forth in Minn. Stat. § 237.60(j). The Commission may permit USWC to submit, use and rely upon a variable cost study pursuant to the procedures set forth in Minn. Stat. § 237.772, subd. 2.

J. Packaged Services and Market Trials

During the term of the Plan, USWC may package any service classified as price-regulated or flexibly priced with any other service, or engage in promotional activities concerning such services, so long as: (1) USWC continues to offer these price-regulated and flexibly priced services as separate stand-alone services at prices permitted under this Plan; and (2) at the time the packaged offering is introduced, or at the time the package price is subsequently changed, the packaged rate or price may not exceed the sum of the unpackaged rates or prices for the individual service elements or services. For packages which include non-regulated services, USWC must utilize its then currently available market price for that service for determining the stand-alone price of that service.

USWC may introduce a package of services effective upon one day notice to the Commission. USWC may reduce the rate or price for a package of services effective upon one day notice to the Commission. USWC may increase the rate or price of a package of services or may cease offering a package of services effective 20 days after notice is provided to customers pursuant to section IV.H. and to the Commission, so long as any price-regulated, flexibly priced services, or non-price regulated services contained in the package remain available as separate stand-alone services at prices permitted under this Plan. The notice shall demonstrate that the new rate does not exceed the sum of the unpackaged rates or prices for the individual service elements or services. The Commission or Department may require USWC to submit any cost studies for any regulated telecommunications services relied on by USWC to support a price change for any package of services.

In addition, during the term of the Plan, USWC may engage in market trials pursuant to its tariffs and price lists.

K. Deaveraging of Prices

1. Rate Targeted Deaveraging. USWC may petition the Commission to deaverage prices during the term of the Plan pursuant to Minn. Stat. § 237.771, in order to respond to competitive pricing. Any proposal to deaverage prices under this section must result in reductions below the Initial Price of the service without corresponding increases in prices in geographic areas where the price of a service would exceed the Initial Price due to deaveraging. The Commission shall, after such proceedings as may be appropriate, make a decision upon the petition within 90 days of the filing of the petition.

2. System-wide Deaveraging. To the extent the Commission orders the income-neutral deaveraging of USWC's retail prices, USWC may propose to increase the price of price regulated services provided that any such deaveraging of retail prices is coordinated with the implementation of a state universal service fund, is done on an income-neutral basis and shall not result in an increase in the effective price for price regulated services, including the application of the universal service surcharge, higher than the Initial Price for such price regulated services during the first three years of the Plan.

USWC may petition the Commission to approve a price increase to be effective on or after the third year of the Plan, including the application of a universal service surcharge, that exceeds the Initial Price for price regulated services as a result of Commission or legislatively ordered geographically deaveraging of USWC's retail rates. Any such petition must demonstrate that there is a universal service mechanism in effect to assure affordable prices in high cost areas, and demonstrate the specific price reductions to assure income neutrality. Any proposed USWC state universal service surcharge shall be considered in calculating the income neutral offsets.

USWC shall file its proposed prices, along with an explanation of its geographically different prices. The Commission shall, after such proceedings as may be appropriate, issue its order within 8 months of the initial filing by USWC.

3. Local Taxes, Franchise Fees, Other Special Surcharges

a. Legislatively authorized local taxes, franchise fees or special surcharges (collectively referred to as a "Surcharge") imposed by a local or regional governmental unit on the services provided by USWC under the Plan may be recovered through a

separate line item on USWC's bill and recovered only from customers living within the jurisdiction that imposed the Surcharge and who subscribe to the service upon which the surcharge is imposed. USWC shall maintain a list of all such Surcharges along with a designation of which customers are subject to their recovery. This paragraph does not give USWC authority to recover "management costs" or "right-of-way management costs" as defined in Minnesota Statutes, Section 237.162, subd. 9 or other applicable provisions of Sections 237.162 or .163, as such provisions may be amended from time to time regarding the recovery of costs by local or regional government units, or the recovery of other police power fees imposed on USWC allowed by law. Any recovery by USWC of Surcharges shall not include those charges that are currently imposed on USWC that are not currently recovered as a separate line item as of the effective date of the Plan. Subject to Section 3. (b), Surcharges may be recovered by separate line item entries on a customers' bill, from the effective date the Surcharge is imposed on USWC.

b. Prior to recovery of a Surcharge, USWC shall notify the imposing governmental unit in writing of USWC's intention to recover the Surcharge through a line item of the affected customers' bills. Absent mutual agreement between USWC and the imposing governmental unit, USWC shall file a tariff with the Commission for review and approval identifying the Surcharge amount and the format of the line item charge on the customer bill. The tariff will take effect 30 days after the tariff filing and notice to the local or regional government unit. Notwithstanding the tariff effective date, any party, including the imposing government unit, may object to the tariff before the Commission or in a court of competent jurisdiction.

L. Discontinuance of Services

1. USWC reserves the right, pursuant to Minn. Stat. § 237.767, to seek approval from the Commission to discontinue the provision of a service that has been classified as price-regulated, flexibly priced or Category A non-price regulated in accordance with the procedures set forth below. For the discontinuance of toll service, USWC shall comply with the discontinuance provisions of Minn. Stat. § 237.74. Any discontinuance, whether it be partial, regional, or class specific, is considered discontinuance under this section.

2. At least 60 days prior to the proposed date of discontinuance, USWC shall file with the Commission a petition to discontinue a price-regulated, flexibly priced service, or Category A non-price regulated services. At the same time, USWC shall provide notice of such filing to the affected customers of its intent to discontinue the service. Unless the Commission establishes a different comment period, parties shall have 30 days from the date of the filing to file initial comments on the petition. Reply comments may be filed 10 days after the initial comments. If no comments are filed, the proposed changes shall go into effect on the date specified by the Commission. If comments are filed, the Commission shall hold such hearings as it deems appropriate and issue its final order within 120 days of the filing of the petition by USWC.

3. Commission approval to discontinue Category B non price regulated services or service packages is not required. USWC will give the Commission and current customers for that service 30 days notice prior to discontinuing a non price regulated service and service packages.

M. Required Commission Action

Where this Plan requires Commission action within a specified period, if the Commission fails to act, the filing or proposal submitted by USWC is deemed accepted and approved. If the Commission fails to act within the specified period, the Commission thereafter retains its authority to investigate matters other than rate of return or earnings, under Minn. Stat. §237.081 in future separate proceedings. No party shall be prejudiced in a complaint proceeding under this section as a result of the Commission's failure to act within the initial specified time periods under the Plan.

V. INVESTMENT PLAN

As required by Minn. Stat. § 237.761, subd. 8, USWC incorporates herein Appendix C on the Supplement thereto, which describes USWC's plan to invest in telecommunications infrastructure improvements in Minnesota over the next six years. Appendix C includes the description of USWC's planned investments as specified in Minn. Stat. § 237.761, subd. 8(b).

VI. SERVICE QUALITY

Pursuant to Minn. Stat. § 237.765, this Plan incorporates the USWC quality of service plan previously approved by the Commission in Docket No. P421/CI-95-648. Appendix B incorporates the service quality standards established in USWC's service quality stipulation, sets forth additional standards and customer remedies for retail customers, and defines substantial compliance with service quality standards for the purpose of petitioning for specific prices increases for price-regulated services. Wholesale service quality standards and remedies applicable to competitive local

exchange carriers will be determined by the Commission in Docket No. P 5321,421,442/CI-97-381 and enforced through interconnection agreements between USWC and CLECs, and, as such, are not included in the USWC quality of service plan incorporated as part of this Plan.

VII. REPORTING REQUIREMENTS

A. Depreciation Filings

During the term of this Plan and pursuant to Minn. Stat. § 237.22, USWC shall utilize such depreciation lives, methods and practices as approved by the Commission with regard to the depreciation and amortization of its investments associated with the provision of intrastate telecommunications services in Minnesota.

B. Financial Reporting

In accordance with Minn. Stat. § 237.766, USWC shall file with the Department an annual report of financial matters for the previous calendar year on or before May 1 of each year the Plan is in effect on report forms furnished by the Department in the same manner as was required of other telephone companies on August 1, 1995. USWC shall maintain a system of accounts in sufficient detail to substantiate such reports.

C. Service Reporting

USWC will report quarterly to the Commission on the Service Measurement Plan as set forth in Appendix B.

D. Other**1. Video Filing.**

In accordance with Minn. Stat. § 237.768, USWC shall file with the Commission and Department a copy of any filings it makes to the Federal Communications Commission regarding the provision of video programming provided through a video dial tone facility in Minnesota.

2. Telecommunications Act Exclusion.

Nothing in this Plan pertains or relates in any way to any interconnection, collocations, unbundled network elements, or ancillary services provided by USWC to competitive-based exchange carriers pursuant to the Telecommunications Act of 1996. In addition, nothing in this Plan shall preclude USWC from recovering from competitive local exchange carriers, consistent with the cost recovery mechanisms created in the Telecommunications Act of 1996, any costs incurred by USWC as a result of the Act. Except as specifically permitted in the Plan, such costs shall not result in any price increases for price regulated services during the term of the Plan.

VIII COMPETITIVE ENFORCEMENT

USWC agrees to be bound by the provisions in the section in any proceeding initiated after the effective date of this plan under Minn. Stat. § 237.081 concerning allegations that USWC has harmed the interest of a competitor by violating Minn. Stat. § 237.07 or § 237.121.

A. Expedited Proceeding

USWC agrees to the use of an expedited proceeding under Minn. Stat. § 237.61 in lieu of a contested case under chapter 14 to develop an evidentiary record in

any proceeding covered by this section that involves contested issues of material fact.

An expedited proceeding under this section shall be governed by the following:

1. **Discovery.** Parties shall have the discovery rights provided in Minn. Rules, parts 1400.6700, 1400.6800, 1400.6900, and 1400.7000.

2. **Cross-Examination.** The parties shall have the right to cross-examine witnesses as provided in Minn. Stat. § 14.60, subd. 3.

3. **Admissibility of Evidence, Decision Record.** The admissibility of evidence and development of the record for decision shall be governed by Minn. Stat. § 14.60 and Minn. Rules, part 1400.7300.

4. **Other Matters.** The Commission may apply other procedures or standards, including rules of the Office of Administrative Hearings, as necessary to ensure the fair, expeditious resolution of disputes under this section.

5. To the extent possible, a quorum of the Commission shall preside over the expedited proceedings.

B. Temporary Relief

After providing opportunity for notice and comment, the Commission may order USWC to temporarily cease allegedly anti-competitive conduct pending completion of any necessary evidentiary hearings under Minn. Stat. ch. 14 or § 237.61 and issuance of a final Commission decision, if the complaint shows that the temporary order is necessary to protect the public's interest in fair and reasonable competition.

C. Penalties

In lieu of referral by the Commission to the Attorney General to seek penalties under Minn. Stat. § 237.461, the Commission may require USWC to pay penalties of

between \$100 and \$5000 for each day of each knowing and intentional violation. The Commission can impose penalties under this section only as follows:

1. **Factors.** The Commission shall apply the following factors in determining whether and in what amount to assess penalties for violations found under this section.

a. The willfulness of the violation;

b. The gravity of the violations, including the harm to customers or competitors;

c. the number of violations;

d. The economic benefit to USWC resulting from the violation;

e. The history of past violations, including the gravity of past violations and the time elapsed since the last violation;

f. Any corrective action taken or planned by USWC; and

g. Other factors as justice may require if the Commission specifically identifies the additional factors in the Commission's Order assessing penalties.

2. **Burden of Proof.** The Commission cannot assess a penalty unless the record establishes by a preponderance of the evidence that the penalty is justified based on the factors identified in this section.

3. **Penalty Order.** An Order assessing penalties must include:

a. a concise statement of the facts underlying the violation;

b. a reference to the statute, rule, order or stipulation agreement that has been violated; and

c. the amount of the penalty to be imposed and the factors on which the penalty is based.

4. Penalty Stayed. The penalty shall not be payable sooner than 31 days after the Commission issues its final Order assessing the penalty. If USWC files an appeal, the penalty shall not be payable until the reviewing court issues a decision sustaining the Commission's penalty decision.

SERVICE CLASSIFICATION**Price-Regulated**

Business and Residence Local Service (Flat & Measured)
Private Branch Exchange Trunks (Flat & Measured)
Direct Inward Dialing (DID) Service
Network Access Registers
Home Business Line
Inward Lines
Dormitory Communications Service
Combined Main Line Service
Classroom Service
Hunting Service
Semi-Public Access Line
Public Access Line
Public Interexchange Carrier Access Service
Extended Area Service
Switched Access Services
Call Trace
Call Rejection
Anonymous Call Rejection
Emergency Reporting Services (911)
Nonrecurring Charges (Local Services)
Local Operator Services, excluding Directory Assistance
Toll Restriction
Toll Diversion
Pay-Per-Call Restriction
Carrier Access Code Blocking
International Blocking
CustomNet Service
Billed Number Screening
Primary White Page Directory Listing
Joint User Service
Facilities for Radio Carriers
Foreign Area Service(O)
Standby Line
Construction Charges

Telecommunication services that are not specifically identified in this Appendix, or included within categories of services identified in this Appendix will be classified as price regulated until such services are reclassified except for products/services that are currently deregulated.

(O) These services are obsolete.

SERVICE CLASSIFICATION

Price-Regulated (Contd.)

Mileage Charges
Extension and PBX Station Lines (O)
Foreign Exchange Service
Tie Lines and Common Central Switching Arrangement (CCSA)
Return Check Charge
Express Service
Trouble Isolation Charge
Change of Responsibility
Change of Telephone Number
Restoration of Service
Dual Service
Private and Semi-Private Listings
Selective Carrier Denial
Customer Transfer Charge
PIC Change Charges
Digital Switched Service

(O) These services are obsolete.

SERVICE CLASSIFICATION

Flexibly Priced Category A

Directory Assistance Service (Local)
Call Waiting-Residence and Business

(O) These services are obsolete.

SERVICE CLASSIFICATION**Flexibly Priced****Category B**

Public Response Calling
 Custom Calling Services - Residence (except Speed Calling)
 Custom Ringing Service
 Single Number Service
 Select Call Routing Service
 Directory Listings (Other Than Primary, Private and Semi-Private Listings)
 Automatic Identified Outward Dialing (O)
 Hotel Branch Exchange Service (O)
 Message Rate Trunks (O)
 Connection of Premises Equipment to Exchange Services
 Public Safety Answering Point (PSAP) Equipment (O)
 Central Office Concentrator-Identifier Systems (O)
 Central Office Type Transfer Relay and Make-Busy Equipment
 Versanet
 Central Office Alarm Services
 Traffic Data Report Service (TDRS)
 Apartment Door Answering Service (O)
 Network Connecting Arrangements
 Message Delivery Service
 Automatic Number Identification (ANI) Order Entry Service
 Contingency Plan Service
 Simultaneous Voice and Data Service
 Caller Identification
 Caller Identification - Bulk
 Other CLASS Services (excluding those listed as price-regulated)
 U S WEST Receptionist
 Market Expansion Line
 Customized/Same Number Service
 IntraCall Service
 Group Use Exchange Service (O) (excluding exchange access)
 Answer Supervision-Lineside
 Unistar (Provided to LECs)
 Complete-A-Call
 Wholesale Billing and Collection - Recording
 Automatic Call Distributor Service (O)
 Central Office Automatic Call Distribution (CO-ACD) Services
 Type A Automatic Call Distribution (ACD-ESS)
 Type 4 Automatic Call Distribution Services
 Uniform Call Distribution
 Telephone Answering Bureau Service
 Central Office Concentrator Service - Type A
 Concentrator - Identifier Systems (O)

(O) These services are obsolete.

SERVICE CLASSIFICATION**Flexibly Priced**
Category B (Contd.)

Wholesale Directory Assistance Services (MTS)

National DA

Private Line/Data Services

Private Line/Special Access Services:

Low Speed Data Service

DC Channel Service

Voice Grade Service

Audio Service and Wired Music

Video Service

Telephone Answering Service

Alarm Services

Same Continuous Property

Local Area Data Service (LADS)

Simultaneous Voice Data Service

Digital Data Service

Alarm Services (O)

Direct Routed Channels (O)

Information Distribution Service (O)

Miscellaneous Services and Arrangements (O)

Order Options, Modifications, Misc Charges for above services

U S WEST DS1 Service

U S WEST DS3 Service

U S WEST DS1 Service (O)

Frame Relay Service

Integrated Services Digital Network

SwitchNet 56 Service

SwitchNet 56 Service Two Wire (O)

Transparent LAN Service

ATM Cell Relay Service

Digital Switched Service

Uniform Access Solution Service

CENTRON/Centrex Services features

CENTRON

Customized Call Management Services (CCMS)/CENTRON I

CENTREX 21

CENTRON 50

CENTRON XL

CENTREX Prime

Centrex Service (O)

(excluding exchange access and other price-regulated services)

Caroline Service (O)

(O) These services are obsolete.

SERVICE CLASSIFICATION

Flexibly Priced Category B (Contd.)

Custom Calling Services - Business
Special Needs Customer Premises Equipment (Partially Obsolete)

(O) These services are obsolete.

SERVICE CLASSIFICATION

Non-Price-Regulated Category A

Private Line/Data Services:

Private Line/Special Access Services:

Self-Healing Network Service (SHNS)

Synchronous Service Transport

Order Options, Modifications, Misc Charges for above services

MegaBit Services:

MegaCentral

MegaSubscriber

(O) These services are obsolete.

SERVICE CLASSIFICATION

Non-Price-Regulated Category B

Voice Messaging:

- Voice Messaging Services
- Message Waiting Indication
- Miscellaneous Business Voice Messaging Features (O)

Wholesale Billing and Collection Services excluding:

- Selective Carrier Denial
- Recording

Speed Calling

Toll Services:

- Operator Services (MTS)
- Message Telecommunications Services (MTS)
- Wide Area Telecommunications Services (WATS)

(O) These services are obsolete.

AMENDED SERVICE QUALITY SETTLEMENT

The following recommendations agreed upon by the parties, incorporate the service quality standards set forth in the settlement adopted by the Commission in Docket No. P421/CI-95-648.

I. Installation

A. Installation Terms

1. Application for Service.

In cases where a construction agreement is not required, an application shall be considered as made when the customer either verbally or in writing requests service. In cases where a construction agreement is requested, an application shall be considered as made when the Company receives the applicable construction agreement signed by the customer, and the customer makes any advance payment to the Company required by the tariff.

2. Primary Line Service.

Primary line service is the first access line to the customer providing local dial tone and local usage necessary to receive a call.

B. Installation Customer Remedies**1. Installation of designed services**

For designed services (DDS, DS1, DS3 and ISDN-BRI), within 3 business days of receipt of the customer's order, U S WEST shall inform the customer regarding whether facilities are available, the proposed installation date (consistent with the requirements of this section), and the customer's remedies for failure to meet the due date established. This notification will begin within 90 days from the effective date of the Plan. When facilities exist, the installation interval proposed shall be consistent with U S WEST's Standard Interval Guide, a copy of which is attached hereto and made a part of this Appendix B. If the order is not completed according to the due date established, the customer will receive a credit of the nonrecurring charge. Where new facilities are needed to provide a designed service, U S WEST shall install the service within 45 calendar days, unless otherwise requested by the customer. If the order is not completed within 45 calendar days or by the requested customer due date, the customer will receive a credit of the nonrecurring charge except where U S WEST can establish that delay was caused by an event beyond the reasonable control of U S WEST and which, with exercise of due care U S WEST, could not have reasonably been expected to avoid, including: (1) delays caused by a vendor in the delivery of equipment, where U S WEST has made a timely order of equipment; (2) delays caused by delays of a local government unit in granting approval for obtaining easements or access to rights-of-way; where U S WEST has made a timely application for any permit(s); (3) delays caused by the customer's construction project or the customer's lack of facilities or; (4) other

delays outside the control of U S WEST, including, but not limited to, acts of God, explosions or fires, floods, tornadoes, epidemics, injunction, war, strike, or negligent or willful misconduct by customers or third parties. Except as identified above, events caused by employees or contractors of US WEST are not outside of the control of US WEST. In cases in which one of the above exceptions applies, the period of delay shall be added to the time for which USWC is not subject to penalties, customer-specific remedies or considered for purposes of determining substantial compliance. Further, the service may be provided on a date that is mutually agreeable to the customer and U S WEST. U S WEST shall report all cases which it claims qualify under this section to the Department and Commission pursuant to the provisions of Section VII, below; and additionally shall provide the report to affected customers who shall have the right to challenge the exemption under Section VII, below.

2. Installation of Basic Residential and Basic Business service

The Company will orally provide each customer making an application for service with a confirmation number (U S WEST Order Number) for each order at the time the application is taken.

If a service order cannot be completed as scheduled, the Company shall notify the customer orally and/or in writing immediately upon determining that it will not complete service on or before the originally scheduled date and identify the date on which service will be completed. At that time, if the customer has requested service sooner than seven days and the Company determines that

primary line service cannot be provided within seven days, then the Company will offer items A through E below to the customer immediately.

The Company will offer items A through E below to customers as soon as it determines that the order will be held for more than seven days, or on the date the customer requests service if that date is more than seven days beyond the date of application. In any event, items A to E below apply if the Company does not provide primary line service within seven days of an application, or on the date the customer requests service if that date is more than seven days beyond the date of application. The Company shall offer the following to the customer:

- A. a telephone number; and
- B. remote Call forwarding until the date the customer's application is completed with no installation or recurring charge for the remote call forwarding; and
- C. a directory assistance listing; and
- D. credit for the installation charge for the primary line for basic service.

In addition, the Company shall offer the following options until the Company provides the service requested by the customer.

- E1. a wireless handset and unlimited usage for local calls until the date the customer's application for service is completed;
or
- E2. a monthly credit of \$100.

line order, and each business customer will receive a \$45 credit per primary line or additional line order when the Company does not meet the installation appointment date.

In the event the Company does not provide primary line service within 30 days of an order or the day after service was requested to be installed by the customer, whichever is later, the Company will issue a credit for the monthly recurring charge for local service for each month or partial month the order is held. If the customer is receiving another monthly credit associated with the held order, the waiver of the recurring charge shall be included as part of the monthly credit.

In the event the Company does not install an additional line for a residential customer within 30 days after an order, or the day after service was requested to be installed by the customer, whichever is later, the Company will waive the installation charges.

C. Installation Standards

1. Held Orders

No more than .005 percent of primary line orders will be held over 30 days for U S WEST reasons. The percentage of held orders will be calculated based on an annual average of primary line orders held more than 30 days for Company reasons at the end of the month.

Penalties for failure to comply:

Range (primary line orders held over 30 days as a percent of all working access lines)	Annual payment
0 - .005%	no payment applies
.0051% - .010%	\$250,000
.011% - .015%	\$500,000
.015% and above	\$750,000

2a. Missed Installations - Non-Designed services

Standard: Complete 95 percent of installations for non-designed services within two days or on the date of the customer request whichever is later, by exchange.

Penalty for failure to comply:

If an exchange fails to meet the missed installation standard for three months out of twelve months, determined in 12 month increments after the Effective Date of the Plan, each customer located within that exchange shall receive a \$0.25 credit per access line per month for 12 months.

2b. Missed Installations - Designed Services

Standard: Complete 85 percent of installations for designed services (DDS, DS1, DS3 and ISDN-BRI according to the Standard Interval Guide or on the date of the customer request whichever is later, when facilities exist, and within ~~50~~ 45 calendar days or on the date of the customer request, whichever is later, when facilities do not exist. The penalty for failure to comply with the ISDN-BRI missed installation standard does not apply until after the first year of the Plan. Exceptions to the application of the penalty are described in Paragraph B.1.

Penalty for failure to comply:

Range (% installed within designed installation interval)	Payment amount per day Year 1	Payment amount per day Year 2 and Subsequent Years of the Plan
85% to 100%	no payment applies	no payment applies
75% to 84%	\$ 100	\$ 200
65% to 74%	\$ 250	\$ 500
55% to 64%	\$ 500	\$1,000
45% to 54%	\$ 750	\$1,500
35% to 44%	\$1,500	\$3,000
0 to 34%	\$2,500	\$5,000

II. Repairs

A. Definitions

1. Out-of-Service condition

A service is deemed to be out-of-service if the customer is unable to receive or place calls on the access line available at the customer's premises. This definition includes service affecting troubles such as static severe enough to prevent communication.

2. Repeat Trouble report

A repeat trouble is defined as a trouble report received on a customer access line within 30 days of a closed trouble report on the same line regarding the same trouble.

B. Repair Customer Remedies

Instances of trouble beyond the standard network interface, trouble caused by the customer's negligence or willful misconduct, disruption of service caused by natural disaster, or damage to the network affecting large groups of customers that is caused by an unaffiliated third party will not be included for purposes of determining eligibility for these remedies.

Under current Commission rules, U S WEST is obligated to provide customers with a pro rata daily adjustment for each day service is out beyond 24 hours. When the Company fails to repair an out-of-service condition for residential primary or additional line service within 48 hours of receiving a trouble report, the Company will issue a credit in the amount of \$5 for each day thereafter that the customer is out-of-service. In addition, at the customer's discretion, the Company shall offer remote call forwarding of the customer's assigned telephone number. After the 8th day, a customer whose primary line is out of service will receive a credit of \$100. For customers with a medical need a wireless phone or equivalent service will be provided after two (2) business days. U S WEST may require a doctor's notice as evidence of a medical need. U S WEST PCS will be utilized where available.

When the Company fails to repair an out-of-service condition for business primary line service within twenty-four (24) hours of notification, \$10.00 per day will be credited to the customer's account unless a different remedy applies. In addition, at the customer's election, the Company shall offer remote call forwarding of the customer's assigned telephone number until service is restored. When the Company fails to repair an out-of-service condition for business additional lines within twenty four (24) hours of notification, a pro rata credit on the cost of the business line service will be credited to the customer's account unless a different remedy applies.

Customers who identify that they have experienced and reported more than two similar instances of network trouble with their telephone service in any 90-day period, which is validated by Company records or customer records

indicating that the customer notified U S WEST and received a trouble report number, shall receive a credit of \$10 for residential customers and \$40 for business customers.

If, due to Company reasons, the Company misses a commitment to repair service where the customer is required to be at the premises, at the time a subsequent appointment is scheduled, each residential customer will be offered a credit of \$15, and each business customer will be offered a credit of \$45.

For designed services (DS1 and DS3), when service is out for the designated time period, the following credits will apply, unless otherwise determined by customer contract.

DS1

< 4 hours	no payment applies
4 hours < 8 hours	\$120.00
8 hours < 16 hours	\$210.00
16 hours < 24 hours	\$240.00
24 hours < 48 hours	\$300.00
More than 48 hours	The greater of \$420.00 or 100% of the total monthly recurring charge

DS3

< 4 hours	no payment applies
4 hours < 8 hours	\$1000.00
8 hours < 16 hours	\$2100.00

16 hours < 24 hours	\$2400.00
24 hours < 48 hours	\$3000.00
More than 48 hours	The greater of \$4000.00 or 100% of the total monthly recurring charge

When the Company fails to repair an out-of-service condition for DS1 or DS3 service within twenty four hours of notification, a pro rata credit on the cost of the circuit and trunks will be credited to the customer's account.

When the Company fails to repair an out-of-service condition for ISDN-BRI service within twenty-four (24) hours of notification, \$10.00 per day will be credited to the customer's account.

C. Repair Standards:

1. Trouble report rate:

Standard - 2.5 per 100 access lines per month by wire center.

Penalty for failure to comply:

If an exchange fails to meet the trouble report standard for three months out of twelve months, determined in 12 month increments after the Effective Date of the Plan, each customer located within that exchange shall receive a \$0.25 credit per access line per month for 12 months.

3. Out-of-Service Troubles

Standard: Clear 95 percent of out-of-service trouble reports within 24 hours.

Penalties for failure to comply:

Range (% out-of-service cleared less than 24 hours)	Payment amount per day Term of the AFOR
95% to 100%	no payment applies
85% to 94%	\$ 200
75% to 84%	\$ 500
65% to 74%	\$1,000
55% to 64%	\$1,500
45% to 54%	\$3,000
0 to 44%	\$5,000

For purposes of determining substantial compliance, the standards are 80 percent in the first year of the plan, 90 percent in the second year, and 95 percent in the third and subsequent years of the plan of out-of-service trouble reports within 24 hours.

4. Missed Repair Appointments

Standard: Meet 80 percent in the first year of the plan, 85 percent in the second year, and 90 percent in the third and subsequent years of the plan by exchange.

Penalty for failure to comply:

If an exchange fails to meet the missed repair appointment standard for three months out of twelve months, determined in 12 month increments after the Effective Date of the Plan, each customer located within that exchange shall receive a \$0.25 credit per access line per month for 12 months.

III. Service Center Answer Times

Standard: Answer 90 percent of calls to customer service centers within 20 seconds.

Penalties:

Range (% of all calls answered within 20 seconds)	Payment amount per day
90% to 100%	no payment applies
80% to 89%	\$ 100
70% to 79%	\$ 500
60% to 69%	\$1,500
50% to 59%	\$3,000
0% to 49%	\$5,000

Standards applicable to the provision of wholesale services to competitive local exchange carriers will be determined by the Commission in Docket No. P442,421,5321/C-97-381.

IV. Penalties

Penalties for failure to comply with service quality standards vary depending on whether the standard is exchange specific or statewide. If the Company fails to comply with an exchange specific standard for three months out of twelve months, determined in 12 month increments after the Effective Date of the Plan, each customer located within that exchange shall receive a \$0.25 credit per access line per month for 12 months. Failure to comply with a statewide standard results in payment to a telecommunications fund to be used to primarily benefit U S WEST's customers in the State of Minnesota through a telecommunications project or projects in U S WEST's local serving territory.

Selection of the projects will be made by the DPS in consultation with the OAG and U S WEST. Details of the process for selection of the projects and the time frame for distribution of the funds is provided in the Supplemental Stipulation attached to this agreement. If the annual payment into the fund is less than \$500,000, monies shall be escrowed and allowed to accumulate until totaling \$500,000, at which time the Department shall issue an RFP soliciting project proposals as detailed in the Supplemental Stipulation.

The selected telecommunications projects shall meet the following criteria:

- a) The project shall benefit K-12 education, health care, or libraries using the support of telecommunications services regulated by the Commission.

b) The project shall utilize applications and require infrastructure compatible with U S WEST's and other interconnecting telecommunications networks, as required by the project, and shall utilize established industry network standards.

c) The project shall be capable of implementation in six to twelve months.

d) The project shall be capable of being financially and technically sustainable on its own merits.

The Department will develop a scoring system for use in selecting the proposals that will receive funding. Penalties calculated on an amount per day basis will apply once per day for each day of a month that the Company's monthly average falls within that range. Any payments for a year will be added to the funds by the Company no later than 30 days after the anniversary date of the implementation date of this agreement.

V. Substantial Compliance

Minn. Stat. 237.762, subd. 3(a) prohibits rate increases for price-regulated services unless a company "has demonstrated substantial compliance with the quality of service standards set forth in the plan." U S WEST must demonstrate substantial compliance with its retail service quality standards as set forth in the Plan.

Substantial compliance with retail service quality standards is defined as meeting seven out of eight of its service quality standards each year, and U S

WEST must not miss the same standard for two or more years in a row. If the Company misses only one standard but it is the same standard for two or more years in a row, the Company will not be in substantial compliance with the service quality standards.

Failure to substantially comply with the service quality standards during the first two years of the plan will delay the timing of a rate increase by one quarter for each year not met, until four consecutive quarters of substantial compliance have been achieved. Failure to substantially comply with the service quality standards for two consecutive years will result in a Commission investigation to determine if additional customer remedies and/or penalties are warranted. Compliance with each standard is determined as follows:

Exchange Based Standards:

For an exchange based standard, compliance occurs when the standard is met on an annual basis in all but 20% of the exchanges in the first year, 15% of the exchanges in the second year, and 10% of the exchanges in the third and subsequent years.

Statewide standards

For a statewide standard, compliance occurs when the standard is met on an annual basis.

VI. Service Quality Reporting

The Company will submit the following monthly reports on Minnesota customers on a quarterly basis. All information reported on a wire center or exchange basis or for secondary lines will be treated as proprietary and trade secret under Minn. Stat. §13.37.

A. Complaints

The Company shall report to the Commission, the DPS, and the OAG all complaints it receives regarding regulated services referred to U S WEST by outside agencies (Commission, DPS and OAG), direct customer complaints, either by telephone or written, received by its Executive Offices or its Consumer Response Center.

B. Customer Contacts

1. The Company shall report to the Commission the number of customer calls it receives in the following categories:

- (1) Billing & Collection
 - total calls
- (2) Repair/Trouble Calls
 - total calls
 - service outage
 - line trouble (service not out)

D. Response Times

The Company will file a report detailing the response times at its residence, residence repair, business and business repair service centers handling Minnesota calls as well as the consolidated response times for calls at all four centers. The report will include the percentage of calls answered in 20 seconds, the number of calls answered, and the number of abandoned calls and the number of calls receiving busy signals.

E. Repairs

The Company will report the trouble report rate by wire center. The Company will report the percentage of out-of-service trouble reports for regulated services attributed to Company reasons as defined in paragraph II.B. above cleared within 24 hours and its rate for meeting repair commitments, by exchange. The Company will report the percentage of trouble reports experiencing a repeated report within 30 days.

VII. Force Majeure

U S WEST shall not be liable for a failure to perform under the standards set forth in this Appendix B to the extent such performance was prevented by an event beyond the reasonable control of U S WEST and which, with exercise of due care, U S WEST could not reasonably have been expected to avoid, including, but not limited to, acts of God, explosions or fires, floods, tornadoes, epidemics, injunction, war, strike, or negligent or willful misconduct by customers

or third parties. Except as identified above, events caused by employees or contractors of U S WEST are not outside of the control of U S WEST. If 100 or more residence or 10 business customers are involved, U S WEST shall not be entitled to an exemption without filing a quarterly report with the Department and Commission setting forth the basis for the exemption. Any challenge to the requested exemption shall be filed within 30 days. Reply comments may be filed by the 43rd day from the initial filing. If the exemption is disputed, after such further proceedings as may be appropriate, the Commission shall issue its Order within 90 days of the initial filing.

In the event of a strike by U S WEST employees, including the continuation of the strike commenced by the Communications Workers of America on August 15, 1998, U S WEST will continue to provide the customer remedies included in Appendix B, Service Quality Settlement, Section I.B "Installation Customer Remedies" and Section II.B "Repair Customer Remedies." In the event of a strike by U S WEST employees, including the continuation of the strike commenced by the Communications Workers of America on August 15, 1998, U S WEST will not be subject to the following Service Quality Settlement penalty provisions: Section I.C "Installation Standards"; Section II.C "Repair Standards"; Section III "Service Center Answer Times"; and Section IV "Penalties" until 10 days after the conclusion of the strike.

STANDARD INTERVAL GUIDE**Provisioning Intervals**

Digital Data Services (DDS)
2.4, 4.8, 9.6, 19.2, 56, 64 Kbps & Subrated DSO

- Per two point and/or bridge port

High Density - Facilities in Place

<u>Services</u>	<u>Total Business Days</u>
1-8	5
9-16	6
17-24	7
25 or more	ICB

High Density - Facilities Not in Place ICB

Low Density - Facilities in Place

<u>Services</u>	<u>Total Business Days</u>
1-8	6
9-16	7
17- 24	8
25 or more	ICB

Low Density - Facilities Not in Place ICB

Provisioning Intervals

DS1 Service - 1.544 Mbps

High Density - Facilities in Place

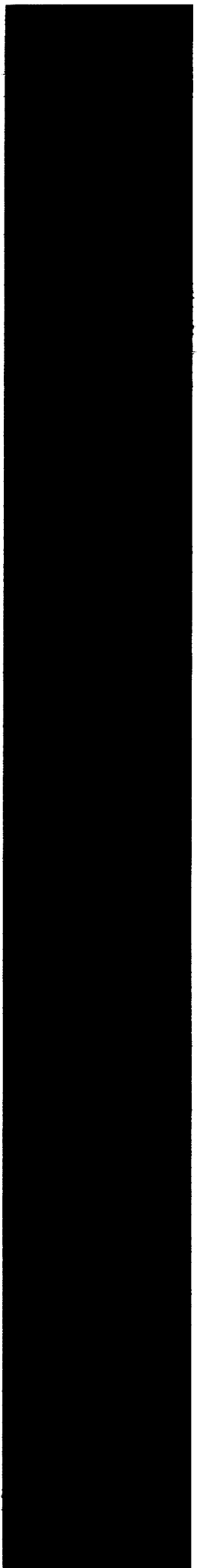
<u>Services</u>	<u>Total Business Days</u>
1 or more	5

High Density - Facilities Not in Place ICB

Low Density - Facilities in Place

<u>Services</u>	<u>Total Business Days</u>
1 or more	8

Low Density - Facilities Not in Place ICB



Provisioning Intervals

ISDN BRI Service

Facilities in Place

<u>Services</u>	<u>Total Business Days</u>
1 - 3	13
4 or more	ICB
Facilities Not in Place	ICB

INVESTMENT PLANS

USWC's network investment strategy for the next six years encompasses the required network improvements for the company to efficiently and effectively provide advanced integrated services for voice communications, data and video through a broadband capable network. The major technological changes incorporated in USWC's plans include (1) higher speed circuit electronics to tap the transmission capacity of fiber, (2) extensive fiber in the interoffice trunking, (3) increased Synchronous Optical Network (SONET) technology, (4) increased Asynchronous Transfer Mode (ATM) and frame relay switching, (5) fiber in the loop, and (6) technological upgrades to the current copper network. Each of these points are key considerations as USWC continues deployment of a network designed to meet the future needs of all telecommunications consumers.¹

USWC plans to continue to place a high priority on advanced technology placement over the next six years. Prudent deployment of fiber optics throughout the interoffice trunking and feeder networks is important in providing a long term solution to ongoing requirements for greater efficiency, lower costs, higher transmission quality and speeds, and better customer service. Copper network enhancements, fiber optics and associated SONET electronics are planned components in establishing an advanced network that will meet the needs of customers.

¹ USWC typically finalizes its capital budgets on a state-specific basis prior to the end of the current calendar year, and because of rapidly changing technology, competitive conditions and other factors, such annual budgets are frequently subject to change or modification during the budgeted period.

USWC plans to undertake significant replacement of existing digital circuit equipment over the next six years. The majority of the remaining interoffice copper cables on T-carrier will be replaced and USWC will replace targeted analog switches. The network will migrate to increased application of SONET standards as the deployment of higher bandwidth switching capability continues. SONET compatible optical switch interfaces to digital switches will be available from vendors late in this decade, and USWC will pursue deploying these according to market demand in the future. As residential, business, and wholesale customers demand more and more from the public switched network, the capabilities of the switches will need to be enhanced. Digital switching capabilities will continue to evolve in the line and trunk interfaces as well as new processor changes.

USWC's investment plans for the next six years are categorized in four major areas: (1) preservation and rehabilitation of the existing network, (2) building infrastructure for growth, (3) enhancements to the network for new products and services, and (4) rearrangements and additions necessary to enable local competition.

Preservation and Rehabilitation

USWC's current Minnesota network is a sophisticated, technologically advanced network. USWC's investment to build this network has a net book value of \$2.0 billion. Across Minnesota, USWC has already placed 5,000 sheath miles of fiber optic cable and over 200,000 total fiber miles. USWC has 100% one-party service availability, and 100% of its access lines have TouchTone

service. USWC deployed digital switches to upgrade 88 rural exchanges to digital in its rural modernization program between 1991 and 1995. All of USWC's switches in Minnesota have digital capabilities or are considered to be functionally equivalent.

All of USWC's exchanges have custom calling service available, and all of its exchanges have intraLATA and interLATA equal access. USWC has provided CLASS service availability to 85% of its total customer base. Voice messaging service is available to 85% of USWC's customers. USWC has made frame relay service available to 100% of its customer base. ISDN (BRI) is available to 85% of USWC's customer base.

USWC has many thousands of miles of copper network linking homes and businesses that must be maintained and enhanced as market demands occur. USWC is continuing to invest significant resources in network reliability, including backup systems that are designed to detect and fix system problems-often before customers ever realize there may be a problem. These investments have helped to increase network diversity and disaster recovery capabilities. Examples of these improvements are: digital switching systems, self-healing network services, special metallic access systems and SONET technology. Maintaining, preserving and rehabilitating this expansive network is a significant portion of USWC's annual capital budget for the state of Minnesota.

USWC has a history of extraordinary performance in times of crisis or natural disasters. USWC and the CWA provided valuable assistance to the flood relief efforts in Grand Forks and East Grand Forks last spring. This

included a \$20 million initiative to replace equipment damaged by the flood. This investment was in addition to the \$10 million spent by USWC to restore telephone service immediately following the flood. USWC's employees contributed \$120,000 of their personal funds, which was matched by a grant of \$275,000 by the U S WEST Foundation to aid victims of the flood. During the term of the Plan, USWC expects to continue its high level of commitment to respond to natural disasters in a manner that provides a high level of assistance and services to its customers and the communities in which they live.

Building Infrastructure for Growth

In keeping with USWC's commitment to provide quality service, the Company has invested hundreds of millions of dollars in Minnesota to build a state-of-the-art telecommunications network to support customers' communications needs today and in the future. In 1995 and 1996, USWC added a total of 169,000 access lines. USWC's growth rate in 1997 continues to be substantial, although more moderate than the prior two years. The most significant area of USWC's growth in recent years has occurred in residential access lines. USWC, as the provider of last resort, must plan and develop its network to serve both the needs of its retail customers and the needs of its wholesale customers.

USWC anticipates continued growth in access lines in the local market over the next six years. Capital and expense dollars will be required to meet consumer demands by efficiently and effectively using the types of technologies that will satisfy the market needs. Expectations of market growth are highly

proprietary in a competitive world, and USWC's information on market expectations and technology deployment must be limited to members of governmental agency staffs only. Included in any analysis of growth are three broad categories: (1) switching costs, (2) outside plant costs including the feeder and distribution network, and (3) the costs associated with interoffice facilities.

Enhancements to the Network for New Products and Services

During 1998, USWC plans to upgrade its network serving the Minneapolis and St. Paul metropolitan area. This includes upgrading two switches in downtown Minneapolis serving approximately 70,000 customers to state-of-the-art digital switching systems, called 5ESS switching systems, manufactured by Lucent Technologies. USWC's \$9.7 million investment to upgrade these two digital switching systems will enhance the reliability of customer service, accelerate call processing times, and provide local number portability. In addition, these switches will be capable of providing the high-speed digital data services the market is demanding.

Next on the priority list for switch replacement are the Beard, Midway and Maplewood central offices. USWC anticipates spending approximately \$11.4 million in the first two years of the Plan to upgrade these switches.

USWC is planning selected deployment of a new technological solution over the life of the Plan to handle the unprecedented growth of Internet traffic over the voice network. The influx of this data traffic on the local voice network has placed extreme demands on USWC's switching and trunking infrastructure. USWC is evaluating "off load" solutions, which would involve routing the majority

of the data traffic to a separate network designed to handle data traffic loads. This Asynchronous Transfer Mode (ATM) network would provide relief of the local network congestion experienced by end users, and Internet Service Providers (ISPs) would be able to enjoy higher bandwidth services. The cost of deploying such a network in the metropolitan area alone is anticipated to be approximately \$12 million.

USWC currently provides Customer Local Area Signaling Service (CLASS) services to 85% of its Minnesota customers. CLASS is a group of features that use the SS7 network to forward line and call specific information between offices on interoffice calls. CLASS services of interest to USWC's customers include: Caller ID (including Calling Name), Call Waiting ID, Continuous Redial, Last Call Return, Selective Call Forwarding, Priority Call, Call Rejection, Call Trace and Anonymous Call Rejection. All of USWC's Ericsson switches have CLASS software and hardware installed for every feature except Anonymous Call Rejection. There are only five remaining offices in Minnesota without CLASS capabilities. It is USWC's plan to provide ubiquitous CLASS deployment during the life of the Plan.

USWC has instituted a program called "Network 21," the primary benefit of which is to create diverse routes between central offices. USWC plans to expand its Network 21 program in 1998 and beyond by building more bi-directional transport rings in the Minneapolis/St. Paul metropolitan area. The network plans incorporate improved performance monitoring, planning and other network management capabilities for DS-1 and other services. The program

focuses on operational improvements in specified target areas: test, alarm, remote provisioning and performance management.

USWC is actively deploying Advanced Intelligent Network (AIN) services and plans to continue to do so over the life of the Plan. AIN is a package of highly automated, customer-activated services that work through most switches and can be rapidly deployed to meet market demand. AIN uses the CCS/SS7 network. AIN greatly enhances the capability of 1A, 5E and DMS100 switches. While AIN is being introduced to various markets, it will not be universally available. As market needs develop, AIN will be deployed in a more ubiquitous manner throughout Minnesota. An important aspect of AIN is the ability to use an Intelligent Peripheral as an adjunct to both the switch and to the CCS/SS7 signaling control point. USWC has deployed three Intelligent Peripherals throughout its region, with one deployed in Minnesota. AIN Intelligent Peripherals allow for a broader range of services to be developed and deployed.

The major advantage of AIN for residential and business customers is that many additional services are available. Seven AIN services are currently available in Minnesota. They are:

- Single Number Service
- Do Not Disturb
- Remote Access Forwarding
- Scheduled Forwarding
- 500 Access Service
- 500 Enhancements

- Government Emergency Telephone Service (GETS)

AIN allows USWC to be more responsive to customer needs with much quicker product deployment. AIN gives USWC the flexibility to design unique services, without having to wait for switching vendors to create programming for each switch type for each new product.

More AIN services are expected to be deployed during the next six years, many of which are currently under investigation for market potential and product development.

USWC currently has Frame Relay Service available to 100% of its service areas without additional mileage charges. ATM Cell Relay Service is available from ATM Cell Relay switches currently located in the Minneapolis and St. Paul metro areas. USWC anticipates placing additional switches, based on customer and market demand. Transparent LAN services are offered based on the customer location from the central office. Additional facilities will be placed based on qualifying customer demand. Over the six-year period from 1998 to 2003, frame relay ports are expected to roughly double. Capital for service expansion will be commensurate with this level of growth. Cell Relay, a newer service, is expected to increase customer ports more than fifteen fold. Frame Relay Service, Cell Relay Service and Transparent LAN Service are all relatively high-speed data transport services and, as such, face competition from similar services from other providers. Competition and market demand will be key factors affecting capital deployment over the life of the Plan.

USWC is planning a phased deployment of two new emergency services during the Plan years. 911 Net is an intuitive easy-to-use online tool that sets the standard for 911 management. It places emergency personnel Public Safety Answering Point (PSAP) in direct contact with the experienced staff and technical resources of the National Data Service Center. It gives the PSAP personnel immediate access to information such as active problem reports, status and reference data. It also allows them to perform queries, submit change requests and resolve problems, all in real time. The technology required for this service is a digital switching system and a redundant network that provides a backup call routing path. USWC will be working with 911 boards to deploy this technology in Minnesota. The other emergency service is called CellTrace. CellTrace is a leading technology product which delivers to the PSAP a cellular caller's telephone number and the location of the antenna site which is servicing the call. This service allows PSAP personnel to call back cellular telephone users to pinpoint their exact location.

Several other services are expected to be introduced during the Plan. Voice Messaging Total Services is a package enhancement that includes such new options and features as Listen Only mailboxes, Extension mailboxes, Call Routing, Message Notification and Scheduled Greetings. These voicemail enhancements will be announced in the relevant areas served by appropriate switching technology as the product development work is completed.

National DA service allows customers to find phone numbers anywhere nationwide by dialing a local number (1 + 411). The proposed price will be \$.85

per use, and the customer can obtain up to two listings. Automated Directory Assistance System Plus (ADAS) is an advanced voice recognition technology that automates the front end of the Directory Assistance call. USWC anticipates introducing ADAS in Minnesota in 1998. The voice recognition system prompts the user to identify "what city" and "what listing." If the city is in multiple states, the system will probe for state specific information. The system then will direct the request to the appropriate team of operators such as local operators, toll operators or National DA operators. This system requires investment in switch interfaces and new databases.

Another new service expected to be deployed in 1998 is Continuous Redial Deluxe. Today, with regular continuous Redial, callers who get a busy signal will hear the busy signal and can then dial *66 to activate Continuous Redial service, which will monitor the line for thirty minutes and alert the caller when the line is free. With the new service, the caller will hear an announcement stating that the line is busy, and that the caller can dial "3" to activate the service. This service will only be available in DMS100 offices, as no other switch has the technical capability to provide it yet.

Centrex Prime is a service to be launched in the early years of the Plan. This service will be offered to customers as they migrate from existing Centron/Centrex services or outdated PBX's. The Centrex Prime service will provide a communications platform for switched voice, data and desktop video applications. Capital and expense dollars are being allocated to enhance network capability to support the service.

USWC will also invest in a technology called Time T. Time T expands the capabilities of local switches to handle 15 digits for international dialing. Today's switches are capable of 10-digit. The current worldwide globalization efforts are increasing the demand for the 15-digit capability.

During 1998, USWC will begin introducing its DSL Technologies in Minnesota. These are high-speed transport services utilizing basic twisted-pair copper loops. Downstream speeds range from 192 Kbps to 6 Mbps, depending in part upon the distance from the central office. Customers include residential consumers, small and large businesses and Internet Service Providers.

DSL based services are comprehensive managed services combining emerging DSL technologies with integrated bridge/routing capabilities, a new generation of central office-based inter-networking devices, and a high-bandwidth backbone to provide high speed as well as secure LAN access and Internet access. The portfolio of DSL services will be delivered as end-to-end managed services which provide users with all networking equipment, network connections, performance monitoring, in-home wiring and Internet access. DSL technology is expected to be used by businesses, residences, schools, libraries and healthcare providers. Schools may use the DSL technology to post homework assignments, attendance reports, students' grades and other school-related information on their Intranet. Other examples of DSL applications are Telecommuting, Internet Access, Computer Telephony Integration, Distance Learning, Remote LAN Access, conferencing and E-mail access. DSL allows

USWC to more efficiently and quickly deploy high-speed data and voice service to end users over the existing infrastructure of ordinary copper telephone lines.

Consistent with USWC's statewide deployment of Frame Relay and expected 1998 launch of DSL services, USWC continues its commitment to link schools, libraries, technical colleges, hospitals, colleges and universities, and local governments together with technology. Following are a few examples of how USWC has and will continue to support education:

- A U S WEST Foundation grant committed \$1.6 million to fund a project that will give 1 percent of the teachers in Minnesota the skills they need to use the electronic highway's educational opportunities to increase student achievement. This three-year initiative will provide computers to nearly 600 Minnesota teachers and train over 6,200 teachers in the use of technology and on-line services. The project, called the U S WEST/NEA Teacher Network, is being implemented in partnership with the Minnesota Education Association Foundation for Excellence in Teaching and Learning.
- Each year, U S WEST Foundation presents "Connecting Teachers with Technology" awards to teacher teams at four Minnesota schools. The teams are selected based on project proposals that make the best use of modern communications technology to enhance teaching and learning. Each of the teams receives an \$8,000 grant and technology training to pursue their project. In addition, the schools receive laptop computers.

- In Minneapolis/St. Paul and Rochester, the U S WEST Foundation has played a major role in establishing SeniorNet Learning Centers. The Centers offer computer classes specifically designed for older adults. The classes are taught by senior volunteers.
- As many as 36,000 students in southeast Minnesota will have the opportunity to access a world of electronic education from their homes as a result of a \$48,000 grant from the U S WEST Foundation. The grant, made to the Southeast Services Cooperative which provides support services to 43 school districts, gives students the chance to take home CD-ROM disks loaded with educational materials. The disks will work either on a personal computer or on a TV set through a set-top box the school will also provide. Delivering educational materials directly to the home will encourage students to increase the hours they spend studying and facilitate involvement by parents in the learning process.
- Thousands of USWC employees in Minnesota and across its 14-state region have each adopted a classroom to help students and teachers learn about communications technology. Each adopted classroom receives technology "tool kits" and funds for modems, printers, software or other information technology materials.
- USWC's Connected Schools initiative offers Internet access to the 850 public and private schools in Minneapolis, St. Paul and the suburban areas. The objective is to open an electronic world of information to students and teachers. USWC offers basic Internet access free of charge

and provide dedicated high-speed Internet access at a deeply discounted price.

- A grant to the St. Louis County Heritage and Art Center, based in Duluth, encourages art appreciation by school children in northeast Minnesota and Iron Range communities.

Grant activity of the type outlined above is expected to continue throughout the Plan life and it is USWC's intent to provide ongoing support to education initiatives such as these.

USWC also approaches the deployment of technology to homes, businesses, educational institutions, libraries, hospitals and local governments by engaging community leaders in what have come to be called COIN projects. COIN stands for Community of Interest Networks. In a COIN project, USWC and the community identify which technologies the community needs deployed and develop a comprehensive plan for deployment. Examples of this highly effective approach are as follows:

- **Luminet COIN Project**

USWC is an active partner in what has become one of the country's premier hometown telecommunications initiatives. Located in Winona, the network called Luminet uses a backbone fiber optic network to link government, healthcare providers, educational institutions, business and industry.

- **Itasca-Net COIN Project**

Itasca-Net is a consortium of five local partners in Grand Rapids, Minnesota and USWC. Using USWC's Frame Relay service, educators, school children, human services recipients, social workers, librarians and business people will be linked into GrandNet to share information and the resources of the Internet.

- **Prairie-Net COIN Project**

Prairie-Net is a consortium which includes Marshall, Minnesota and the surrounding communities. Its objective is to develop and implement a plan to enhance the infrastructure in their communities linking schools, homes, libraries and others.

USWC has several initiatives underway with communities around the state to create more COIN efforts. In addition to the COIN projects, USWC is working with Minnesota schools to tap into the \$2.5 billion in federal funds aimed at getting schools and students connected with the Internet and communications services and technology.

USWC has made additional commitments to deploy ISDN and SS7 in its stipulation associated with the sale of several rural exchanges. USWC will be deploying additional ISDN and SS7, or a technological equivalent, capability in certain Minnesota exchanges by December 31, 1998.

Currently, there are thirty extended area petitions pending before the Commission. Each time an EAS petition is approved, network rearrangements and upgrades are required to implement the new routes. In 1998, up to four additional routes are scheduled to be effective with others certain to be added as the petitions get reviewed.

Rearrangements and Additions Necessary to Enable Local Competition

USWC will expend huge capital and expense dollars for start-up purposes in three main areas of interconnection--systems, network rearrangements, and process changes. These expenditures are necessary in order to implement local competition as defined by the Federal Act. Although USWC should be reimbursed for these expenses through one-time cost recovery mechanisms or through the interconnection agreements, USWC addresses these costs in this Plan as they represent a significant portion of its ongoing investments in infrastructure improvements.

The following are some of the interconnection and resale services offered by USWC, along with a brief description of the product or service.

Interconnection Products and Services:

- **Physical and Virtual Collocation:** USWC provides collocation of interconnector-provided and designated basic transmission equipment

necessary for interconnection or access to unbundled network elements at USWC premises. The interconnection is either Physical or Virtual.

- **Unbundled Loop:** An unbundled 2-wire or 4-wire analog loop which is a voice frequency transmission path that runs from a USWC Central Office to the End User Network Interface Device.
- **Unbundled Switching (UBS):** A network element that provides the functionality required to connect appropriate lines and trunks. A number of services, such as Custom Routing of operator and directory assistance, can be ordered with this product.
- **Interim Number Portability (INP):** Interim Service Provider Number Portability (ISPNP) allows customers to discontinue service from USWC and retain their assigned telephone number as they move to a CLEC or certified Reseller.
- **Local Number Portability (LNP):** The ability of users of telecommunications services to retain, at the same location, existing telecommunications numbers when switching from one carrier to another.
- **Unbundled Dedicated Interoffice Transport:** This provides the transmission paths between USWC wire centers.
- **Voice Directory Assistance for Facility-Based CLECs:** Provides published and non-listed telephone number information to Facilities-

Based Competitive Local Exchange Carriers (CLECs) end user customers.

- **Wholesale Directory Listings:** Provides clients with files containing listed name, address, and telephone number information of end users, along with daily changes, additions, and deletions.
- **9-1-1 Interconnection:** Emergency 911 service for CLECs, which must provide access to 911 if they are providing local exchange service.
- **Local Interconnection Service (LIS):** Provides CLECs with the ability to terminate calls within a USWC-defined Local Calling Area (LCA), Extended Area Service (EAS) area, or LATA.
- **CCSAC/SS7 Baseline Service:** Common Channel Signaling Access Capability (CCSAC) Baseline Service provides the means for transporting signaling information by way of Switched Access Links.
- **Customized Routing:** This service allows CLECs to have their operator/directory assistance calls directed to their dedicated local trunks for handling.

Resale Products and Services:

- **Business Exchange Services:** Provides access to the public switched network for local and long-distance calling for business customers.

- **Residence Exchange Services:** Provides access to the public switched network for local and long-distance dialing for residence customers.
- **Centrex/Centron:** A Central Office-based business service.
- **Direct Inward Dialing (DID) Service:** A special trunking arrangement which permits incoming calls from the exchange network to reach a specific PBX station directly, without attendant service.
- **PBX Service:** A Central Office line which connects a Private Branch Exchange (PBX) system, or other automatic switching system at the customer's premises, to the local service provider's Central Office.
- **Private Line Services:** Provides a dedicated voice, video and/or data communications path between a carrier and an end user, between end users, or between carriers.
- **Public Access Line (PAL) Service:** A "Plain Old Telephone Service" (POTS) service offered to Independent Pay Phone Service providers to connect pay telephones to the USWC Public Switched Network.
- **ISDN: Single Line, Centrex 21, and Primary Rate Service (PRS):** A digital service that provides integrated voice/data capability over the 2-wire customer facility. Centrex 21 offers access and features at a single rate. Primary Rate Service is a digital 4-wire full duplex DS1 transmission path that provides a seamless communications system.

- **Wire Maintenance and Prewire:** A variety of Wire Maintenance Plans provide prewiring services during initial construction for residential customers.
- **Digital Switches Services:** A local exchange service that provides digital connections between the end user's PBX and the USWC office serving that area.

In order for USWC to implement interconnection, there are a number of systems which will need modification and/or development. Most of the systems needing modifications are for Service Assurance, Service Delivery, Capacity Provisioning, and Billing. In addition to modification and development, the interconnection compliance requires expenditures for design, testing, coding of systems, and the purchase of equipment to process and store data. USWC utilizes existing expense and tracking systems to track interconnection costs as they are incurred. The following list describes the systems processes necessary to implement local service competition:

1. Assessment of systems requirements.
2. Design the requirements to modify the existing systems and/or build new systems.
3. Develop prototypes and start testing to see where there are flaws.
4. Implement the coding of new systems and modify the existing coding systems.
5. Purchase the necessary equipment. USWC may have to add additional equipment such as routers and databases. USWC may

also need to increase its database capacity for partitioning data to protect the privacy of customers of other vendors. If necessary, USWC may need to buy new storage facilities for electronic data. These purchases on the part of USWC will require both expense and capital dollars.

There are additions and rearrangements to network facilities that will be required to implement interconnection on a start-up basis. These expenditures include expansion of facilities for tandem switching, indirect and direct transport trunks, local switching and equipment upgrades. USWC has developed tracking mechanisms that will identify new construction or usage associated with each interconnection service category so as to identify directly incurred costs, or for joint service costs.

The majority of USWC end offices today only transport calls from the end office to the tandem in cases of network overflow or when a sudden burst of traffic overloads the normal network. As new CLEC's provide local service, the most economical entry for them is through the tandem. The tandem is not designed to handle all this local usage and, therefore, it is necessary to upgrade the switching equipment and build additional network capacity. The network must be reinforced from the tandem to the end office. Today a large percentage of traffic is intraoffice. When customers call their friends, churches and schools in their neighborhoods, the call never leaves the end office. When that customer obtains service from a CLEC, that same call is switched to the CLEC switch and then through the USWC tandem to the end office. In the new competitive

environment, calls that formerly used no interoffice facilities will now require use of such facilities. This creates the need for additional switching capacity and additional interoffice facilities that must be built. These new costs and new capital requirements were not in existence before local competition was approved. This is essentially redefining a network that didn't exist before.

Business Office Processes must be changed to implement interconnection. There are initial or start-up costs to set up service centers to accommodate taking orders, billing and collection, provisioning and other processes associated with Service Delivery. For example, U S WEST will be adding approximately 70 jobs to Duluth when it establishes a new \$2 million interconnection service center in downtown Duluth. Actual expenditures are being tracked and consist primarily of the initial costs of establishing workstations, furniture, office equipment, and training.

Service provider portability or local number portability (LNP) allows an end user to retain a telephone number when moving between an alternative exchange carrier and a local exchange carrier. The FCC ordered implementation of LNP in the Minneapolis MSA is scheduled to occur by March 31, 1998. The Minneapolis MSA is in the first group of MSA's to implement LNP. A number of activities must occur for USWC to successfully implement Local Number Portability. LNP software must be added to all the switches in the MPLS MSA that are requested by the competitive local exchange carriers. There are approximately 120 incumbent LEC switches plus the CLEC's switches and operator service provider switches that must have software added

as well as having complex translations made so the software works. In all cases the switches themselves must be upgraded to a higher generic to accommodate the software.

Other Government Mandates

In addition to the capital and expense dollars associated with implementing local competition, USWC must implement other government mandates such as the Commission's decision on area code relief. If the Commission chooses the overlay method, all switches must be modified to first allow both 7- and 10-digit local dialing ("permissive" dialing) and then later to block local calls which are dialed using only 7 digits ("mandatory" dialing). Switching software must be modified to recognize the new area code when assigned. It will be necessary to provide recorded announcement equipment to alert callers that 10-digit dialing is required. All interoffice and tandem trunk groups must be modified to pass ten digits on all calls rather than the normal seven. On some types of switches, the generic and feature software must be modified to allow two area codes to be served in the same switch.

If the area code split method is selected, all switches must be modified to recognize both the old area code and the new area code(s) by the time permissive dialing begins. All switches must be modified to allow both 7-digit and 10-digit local dialing between area codes by the start of the permissive dialing period. At the end of the permissive dialing period, all switches must be reconfigured to allow (but not require) 7-digit local dialing within an area code and require 10-digit local dialing between area codes. Switch software must be

changed to reflect new area code(s) for individual line translations and for forwarding calling line identification to USWC's and other companies' billing systems. The ALI database must be updated in the E-911 system to reflect the new area code(s) in customer identification. New recorded announcements must be provided to alert callers that the area code for some customers has changed.

Tandem trunk groups must be modified to pass ten digits between offices on calls. Customer records must be changed in operation support systems and billing systems to reflect the new area code(s).

SUPPLEMENT TO INVESTMENT PLAN**I. Switch Replacements**

In the Investment Plan included in its October 21, 1997 Petition for Approval of an Alternative Regulation Plan, U S WEST described the upgrade of two switches in downtown Minneapolis serving approximately 70,000 customers. The upgrade of these 1AESS switches to state-of-the art digital 5ESS switching systems did occur earlier in 1998.

Throughout U S WEST, 1AESS offices are being replaced on an aggressive schedule. We are currently in the process of replacing the Minneapolis Beard and St. Paul Midway switches.

The Minneapolis Fernbrook and Normandale central offices will be replaced in 1999. The remaining offices: Cedar, Maplewood, 7th Avenue, Bryant, Franklin, Central, Pillsbury, 24th Avenue, New Brighton (Cleveland) and Front St. are planned for replacement prior to or during the year 2003.

II. CLASS/SS7 Deployment

In its Investment Plan, U S WEST explained U S WEST currently provides Customer Local Area Signaling Service (CLASS) services to 85% of its Minnesota customers. CLASS is a group of features that use the SS7 network to forward line and call specific information between offices on interoffice calls. CLASS services of interest to U S WEST's customers include: Caller ID (including Calling Name), Call Waiting ID, Continuous Redial, Last Call Return,

Selective Call Forwarding, Priority Call, Call Rejection, Call Trace and Anonymous Call Rejection.

At the time of U S WEST's October 21, 1998 filing, 93 of U S WEST's 158 wire centers had CLASS services available to its customers served by that wire center. Since that time, U S WEST has deployed CLASS services in another 26 wire centers. They include: Willmar, Appleton, Bird Island, Litchfield, Montevideo, Morris, Olivia, Ortonville, Detroit Lakes, Hawley, Mahnomon, Pine City, Braham, Hinckley, Mora, Ogilvie, Rush City, Sandstone, Faribault, Redwood Falls, Morton, Marshall, Tracy, Bemidji, Cass Lake and Austin. U S WEST now has CLASS services available to 93% of its customers.

U S WEST does not offer CLASS services to its customers in 41 wire centers. A number of those wire centers are equipped with Ericcson switches. And although all of the Ericcson switches have CLASS software and hardware installed, additional software is needed for Anonymous Call Rejection which is required by the Minnesota Public Utilities Commission. U S WEST stated in its Investment Plan, it would provide ubiquitous CLASS deployment during the life of the Plan. U S WEST now plans a more aggressive deployment schedule. U S WEST will deploy CLASS service in the majority of the remaining 41 wire centers by year-end 1999.

III. Advanced Technology

A. ISDN

In its Investment Plan, U S WEST stated that ISDN (BRI) is available to 84% of its customers. This includes deployment in the Minneapolis/St Paul wire centers as well as a number of outstate exchanges. U S WEST plans to continue deployment based on market demand.

B. Digital Subscriber Line Service

In its Investment Plan, U S WEST discussed that during 1998, U S WEST will begin introducing its DSL Technologies in Minnesota. These are high-speed transport services utilizing basic twisted-pair copper loops. Downstream speeds range from 192 Kbps to 6 Mbps, depending in part upon the distance from the central office. Customers include residential consumers, small and large businesses and Internet Service Providers.

DSL based services are comprehensive managed services combining emerging DSL technologies with integrated bridge/routing capabilities, a new generation of central office-based inter-networking devices, and a high-bandwidth backbone to provide high speed as well as secure LAN access and Internet access. The portfolio of DSL services will be delivered as end-to-end managed services which provide users with all networking equipment, network connections, performance monitoring, in-home wiring and Internet access. DSL technology is expected to be used by businesses, residences, schools, libraries and healthcare providers. Schools may use the DSL technology to post homework assignments, attendance reports, students' grades and other school-

related information on their Intranet. Other examples of DSL applications are Telecommuting, Internet Access, Computer Telephony Integration, Distance Learning, Remote LAN Access, conferencing and E-mail access.

In May, 1998, U S WEST announced its plans to deploy its Megbit Services which use DSL technology. This Supplement to Appendix C, provides the specific wire centers included in the first phase of implementation which is occurring at this time.

U S WEST is planning a second implementation phase later this year, however the wire centers where DSL will be deployed have not been determined yet. U S WEST will provide that information when it becomes available.

C. Future Deployment

As stated above, advanced technologies which deliver speeds of 1.5Mbps are available to a significant number of U S WEST's customers at the present time. U S WEST will continue to deploy these services to meet market demand. U S WEST will: a) begin a customer awareness and educational program in the hope of generating sufficient demand to support these technologies; and b) conduct a written survey to determine customer interest.

in addition to the surveys, U S WEST agrees to deploy 1.5Mbps technology on a market trial basis in three outstate exchanges of less than 10,000 access lines, including those exchanges with Extended Area Service to the Metropolitan area.

IV. Local Internet Access

Local dial-up access to an Internet Service Provider will be made available in all U S WEST exchanges within 12 months of the effective date of the Plan.

U S WEST'S MEGABIT SERVICES DSL DEPLOYMENT TWIN CITIES SWITCHING CENTERS - FIRST PHASE*

<u>Switching Center</u>	<u>Prefix</u>
Anoka	323, 421, 422, 427, 506, 576, 712
Beard	836, 915, 920, 922, 924, 925, 926, 927, 928, 929, 993
Beech	771, 772, 774, 776, 778, 793
Blaine	717, 780, 783, 784, 785, 786, 792, 795
Brooklyn Center	549, 560, 561, 566, 569, 585
Bryant	287, 302, 520, 521, 522, 529, 588, 740
Burnsville	707, 808, 882, 890, 894, 895
Cleveland	582, 604, 628, 631, 633, 634, 635, 636, 638, 639, 697
Coon Rapids	754, 755, 757, 767, 862
Crystal	504, 531, 533, 535, 536, 537, 971
Eden Prairie	826, 828, 829, 833, 903, 914, 941, 942, 943, 944, 946, 947, 995, 996
Franklin	813, 870, 871, 872, 874, 879
Fridley	502, 514, 571, 572, 574, 586
Glen Prairie	906, 934, 937, 949, 974, 975
Hopkins	352, 912, 930, 931, 932, 933, 935, 936, 938, 939, 945, 979, 984, 988, 992
Lexington	405, 406, 452, 454, 456, 681, 683, 686, 687, 688, 905
Maplewood	731, 735, 738, 739, 501, 575, 578, 702, 714, 730, 733, 736, 737
Market	205, 215, 220, 223, 227, 232, 244, 266, 268, 281, 282, 296, 297, 221, 222, 224, 225, 228, 229, 265, 290, 291, 292, 293, 298, 310, 602, 665, 848
Midway	523, 632, 637, 641, 642, 643, 644, 645, 646, 647, 649, 659, 917, 962, 969

* NOTE: Due to current DSL (Digital Subscriber Line) distance and technology limitations, U S WEST's MegaBit Services are not available to all customer lines served out of the provisioned switching centers.

Mpls 24th Ave	721, 722, 724, 728, 729
Mpls 7th Ave	331, 362, 378, 379, 617, 623, 627, 676
Mpls Downtown	204, 288, 299, 301, 304, 305, 307, 316, 317, 318, 321, 329, 350, 376, 397, 399, 573, 624, 625, 626, 630, 661, 663, 664, 667, 668, 671, 672, 673, 677, 678, 692, 902, 904, 973, 313, 330, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 347, 348, 349, 359, 370, 371, 372, 373, 375, 596, 761, 775, 863, 977
Normandale	806, 820, 830, 831, 832, 835, 837, 841, 844, 857, 893, 896, 897, 921
Oakdale West	306, 450, 451, 453, 455, 457, 552
Orchard	417, 512, 513, 525, 540, 541, 542, 544, 545, 546, 591, 593, 595, 797
Park Row	704, 748, 770, 773, 777, 779
Pillsbury	821, 822, 823, 824, 825, 827
Plymouth	383, 509, 519, 550, 551, 553, 557, 559, 577, 694
Rice	415, 481, 482, 483, 484, 486, 490, 765, 766, 787
South	346, 703, 881, 884, 885, 886, 887, 888, 948
Wayzata	404, 449, 473, 475, 476, 742, 745
White Bear Lake	407, 426, 429, 653

ACCESS REDUCTIONS

Carrier Common Line	Rates as of 5/1/98	Proposed Rates 1st Year	Proposed Rates 2nd Year	Proposed Rates 3rd Year
Originating Premium	\$0.015166	\$0.007583	\$0.003792	\$0.001896
Originating Discount Premium	\$0.011840	\$0.005687	\$0.002844	\$0.001422
Originating Non-Premium	\$0.007103	\$0.003412	\$0.001706	\$0.000853
Terminating Premium	\$0.041819	\$0.035347	\$0.024858	\$0.012361
Terminating Non-Premium	\$0.019051	\$0.015906	\$0.011186	\$0.005562
Total Carrier Common Line	\$0.028108	\$0.021064	\$0.014021	\$0.006977

EAS RATES

Exchange	1FR		1FB		Trunk	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
Barnum		N/A	16.71	14.00	26.75	18.00
Buffalo	17.17	10.00	42.91	14.00	49.36	18.00
Cambridge	16.73	10.00	41.76	14.00	48.86	18.00
Holdingsford		N/A	14.24	14.00	22.80	18.00
North Branch	21.68	10.00	54.15	14.00	62.13	18.00

**PROPOSED BUSINESS
RATE REDUCTION**

APPENDIX D
PAGE 3

<i>BUSINESS</i>	<u>USOC</u>	<u>DESCRIPTION</u>	<u>PRESENT RATE</u>	<u>RATE REDUCTION</u>	<u>PROPOSED RATE</u>
METRO*					
Flat	BHS	Home Business Line	\$49.08	-\$2.54	\$46.54
	1FB	Flat Rate	\$45.83	-\$2.54	\$43.29
	7FB	Inward	\$45.83	-\$2.54	\$43.29
	1KY	Basic-Pub Flat Two-Way	\$45.83	-\$2.54	\$43.29
	1GY	Basic-Pub Flat Out Only	\$45.83	-\$2.54	\$43.29
	5FO	Smart-Pub Flat Out Only	\$50.25	-\$2.54	\$47.71
	5FP	Smart-Pub Flat Two-Way	\$50.25	-\$2.54	\$47.71
	1SL	Class Room	\$37.07	-\$2.54	\$34.53
	1SV	Class Room	\$37.07	-\$2.54	\$34.53
PBX TRUNKS					
METRO					
Flat	TCG	Two Way Trunk	\$48.20	-\$3.00	\$45.20
	TCK	In Only Trunk	\$48.20	-\$3.00	\$45.20
	TCM	Out Only Trunk	\$48.20	-\$3.00	\$45.20
	TDD	In Only Trunk w/ DID	\$52.20	-\$3.00	\$49.20
STATE WIDE					
Flat	THH1X	Two Way 4 Wire w/E&M	\$79.00	-\$3.00	\$76.00
	TRH1X	In Only w/DID Call Transfer	\$79.00	-\$3.00	\$76.00
NETWORK ACCESS REGISTERS					
METRO					
Flat	EQA	Two Way NAR	\$52.20	-\$3.00	\$49.20
	EQB	In Only NAR	\$52.20	-\$3.00	\$49.20
	EQC	Out Only NAR	\$48.20	-\$3.00	\$45.20
	EQD	Toll Access NAR	\$52.20	-\$3.00	\$49.20
CENTREX 21					
METRO					
	RSX	Centrex 21, 12-36 Months	\$43.65	-\$2.55	\$41.10
	RSX	Centrex 21, 37 -60 Months	\$41.35	-\$2.40	\$38.95
DIGITAL SWITCHED SERVICES TRUNKS					
STATE WIDE					
Flat	T2DCX	Basic Two Way	\$26.00	-\$1.62	\$24.38
	T2DIX	Basic In Only	\$26.00	-\$1.62	\$24.38
	T2D0X	Basic Out Only	\$26.00	-\$1.62	\$24.38
	T2JCX	Advanced Two Way	\$26.00	-\$1.62	\$24.38
	T2JIX	Advanced In Only	\$26.00	-\$1.62	\$24.38
	T2J0X	Advanced Out Only	\$26.00	-\$1.62	\$24.38
ISDN PRIMARY RATE TRUNK CONNECTIONS					
STATE WIDE					
Flat	PT312/PT31C	Advanced Two Way	\$26.00	-\$1.62	\$24.38
	PT311	Advanced In Only	\$26.00	-\$1.62	\$24.38
	PT31O	Advanced Out Only	\$26.00	-\$1.62	\$24.38
CENTREX SERVICES					
STATE WIDE					
Flat	RXR	Centrex **	\$13.07	-\$0.19	\$12.88
	RXR	Centron XL	\$2.95	-\$0.19	\$2.76
	RXR	Group Use **	\$24.24	-\$0.19	\$24.05

*Metro refers to Minneapolis/St Paul Metropolitan exchange as defined in USWC's Exchange and Network Services Tariff 5.1.3.B.2

**Average price

REDUCTIONS TO INITIAL PRICES
(Millions)

Residence:

\$.77 reduction for flat rate Metro residence service	\$8.7
Reduce certain EAS rates	\$0.9
Reduce Trap & Trace 50% and reduce blocking to \$5.00	\$0.1
Subtotal	\$9.7

Business:

Reduce rates for Metro business service (According to Appendix D, page 3)	\$12.2
Reduce certain EAS rates	\$1.0
Subtotal	\$13.2
Total Local	\$22.9

Access

Year One	\$15
Year Two	\$15
Year Three	\$15
Subtotal Access	\$45

<u>Total Estimated Reductions</u>	\$67.9
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