

STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Marshall Johnson
Phyllis Reha
Kenneth A. Nickolai
Thomas Pugh

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Qwest
Corporation for Approval of its Revised
Alternative Form of Retail Regulation Plan

QWEST CORPORATION

**REVISED
ALTERNATIVE FORM OF RETAIL REGULATION
PLAN FOR THE STATE OF MINNESOTA**

Revised AFOR Plan

Filing Date: June 30, 2005

Revised AFOR Plan

Effective Date: December 31, 2005

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I. PREFACE

Qwest Corporation (“Qwest”) shall be subject to an alternative regulation plan in Minnesota as set forth in the Revised Retail Plan on the Revised Retail Plan Effective Date. The elements of the Revised Plan are set forth in detail in the following sections.

Since January 1999, when Qwest entered into its initial alternative regulation plan, the telecommunications industry in Minnesota has made the transition to a vibrant, competitive marketplace characterized by customer choices in price, service offerings, technology and providers. Competition comes from an array of communications providers that use various technologies to deliver local telephone service – including competitive local carriers, cable companies, voice over internet protocol (VOIP), and wireless companies. The Revised Plan is intended to allow consumers to enjoy the benefits of the competitive marketplace at equitable rates and with a quality of service consistent with Commission rules; to facilitate telecommunications alternatives; and to provide a regulatory environment with greater flexibility.

II. DEFINITIONS

- A. Commission.** Commission means the Minnesota Public Utilities Commission.
- B. Department.** Department means the Minnesota Department of Commerce.
- C. Flexibly-Priced Services.** Flexibly-priced services include retail services offered by Qwest that have not been classified as either price-regulated or non-price regulated. Specific services that are classified as flexibly-priced under this Revised Retail Plan are listed in Appendix A, Schedule 2.

D. New Service(s). New services are those functions, features, or capabilities that are not offered by Qwest in Minnesota on the Revised Plan Effective Date.

E. Non-Price-Regulated Services. Non-price-regulated services are those retail services for which alternatives are competitively available. Specific services that are classified as non-price-regulated under this Plan are listed at Appendix A, Schedule 3. All new service filings made following the effective date of the Revised Plan shall be classified as non-price-regulated services.

F. Price-Regulated Services. Price-regulated services are those retail services that are listed in Appendix A, Schedule 1.

G. Revised Plan. “Revised Retail Plan” is the same as a “new plan” as described in Minn. Stat. § 237.766, Subdivision 2 (2004).

H. Tariff or Price List. Tariff or Price List means the schedule filed with the Commission that describes the rates, terms, and conditions of price-regulated services provided by Qwest.

I. 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.

Qwest 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, Qwest is not subject to the provisions of

sections 237.57, 237.59, or 237.63 of Minnesota Statutes during the term of the Plan. 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 Revised Plan is effective immediately upon expiration of the existing plan at 12:00 midnight on December 31, 2005 (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 two (2) years (24 consecutive months) from the Revised Plan Effective Date.

At the election of the Company, this Plan shall be renewable in one-year increments for up to two (2) additional years, for a potential total Plan duration of four (4) years. Six months prior to the termination date of the Revised Plan or the Extended Revised Plan, Qwest shall file with the Commission to discontinue the Revised Plan in its approved form; to initiate a renegotiation of the Revised Plan or Extended Revised Plan; or shall inform the Commission of its decision to exercise its right to extend the Revised Plan or Extended Revised Plan for one year.

If Qwest notifies the Commission that it intends to renegotiate the Revised Plan or Extended Revised Plan, interested parties shall have such time as the Commission shall designate to file comments on the proposal submitted by Qwest. The Commission shall

establish such procedures as it deems necessary to make a determination on the proposal pursuant to Minn. Stat. § 237.61. If the Commission rejects or modifies Qwest's proposal in a manner that is unacceptable to Qwest, Qwest may permit the Revised Plan (or the Extended Revised Plan as described above) to expire according to its terms or at the expiration of the extension and shall be regulated pursuant to applicable Minnesota Statutes and Commission Rules then in effect.

IV. RETAIL SERVICES PROVIDED: CLASSIFICATION, RATES AND PRICES

A. General Provisions.

1. Initial Classification.

a. Specific telephone services that are subject to regulatory oversight are described in the Revised or Extended Plan and listed in Appendix A, Schedules 1 and 2. Existing services that are not specifically identified in Appendix A, Schedules 1 or 2, will be classified as non-price-regulated.

b. All services offered by Qwest 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, billing and collection services, inside wiring, and services tariffed in the Federal jurisdiction.

2 The Introduction of New Services.

a. Filing.

As provided in Minn. Stat. § 237.761, subd. 7, at the time Qwest first offers a service, Qwest shall file with the Commission a 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. New services may be offered to customers one (1) day after filing.

b. Classification.

If no interested party or the Commission objects to Qwest's classification within thirty (30) days from the date of filing, Qwest's proposed classification is approved. Qwest shall have twenty (20) days to respond to any objections. 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. If the Commission does not act within ninety (90) days, the classification is approved as filed.

3. Tariffs and Price Lists.

Within 30 days of Commission approval of this Revised Plan, Qwest shall update its tariffs and price lists consistent with the terms of this Plan.

B. Price-Regulated Services.

1. Permitted Changes and Procedures for Changes for Price-Regulated Services.

The "Regulated Price" of a service is the price of the service on the effective date of this Revised Plan. Qwest may reduce the rate for a price-regulated service below the Regulated Price and may subsequently increase prices up to the Regulated Price without Commission approval. The rates or prices may not be reduced below the Total Service Long Run Incremental Cost of providing service.

Qwest may file for a rate change for price regulated services under the following procedures.

a. Rate Changes for Price-Regulated Services.

Changes in tariffs for price-regulated services shall become effective under the following timelines: a) language changes and promotions, 1 day after filing the tariff; b) rate reductions, 1 day after filing the tariff, c) significant changes in the condition of service, 20 days after filing the tariff; d) new services, 10 days after filing the tariff; and e) proposals to increase prices, 20 days after filing the tariff and providing notice to customers. Interested parties shall have 20 days to file comments from the date of the initial filing of any change in the price-regulated service tariffs. Reply comments shall be filed within 30 days of the initial filing. When comments have been filed, or the Commission initiates action on its own motion, the Commission shall issue its order within 90 days of the initial filing.

b. Procedures for Objection to Price Increases for Price-Regulated Services.

In the event Qwest proposes a price increase above the Regulated Price of a Price-Regulated Service, if the Department or the Office of the Attorney General, Residential Utilities Division have reason to believe that the proposed increase is inconsistent with the practices of other telecommunications carriers including CLECs, telephone companies, cable providers, wireless providers and any other provider including providers of VOIP services, the Department or OAG may file an objection with the Commission within 20 days of the notice. In its objection, the Department or OAG shall specify facts demonstrating the manner in which Qwest's proposal is significantly inconsistent with the same or similar prices of any telecommunications carriers including CLECs, telephone companies, cable providers, wireless providers and any other provider including providers of VOIP services. If, after receipt of a valid objection, the Commission within 90 days of the date of notice makes

specific findings based on substantial evidence demonstrating that Qwest's proposal is significantly inconsistent with the same or similar prices of other providers of similar services, it may disapprove the requested increase or approve a lesser increase. If the Commission does not make such a determination within 90 days, the proposal shall be deemed approved. If no objection is filed within 20 days of Qwest's filing, the price increase(s) shall be deemed approved.

If the Commission for any reason orders a rate decrease to a price-regulated service, Qwest shall be permitted to institute revenue-neutral price increase(s) to other price-regulated services at the Company's discretion.

2. Discontinuance of Price-Regulated Service.

a. Qwest 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 a price-regulated service in accordance with the procedures set forth below. For the discontinuance of toll service, Qwest shall comply with the discontinuance provisions of Minn. Stat. § 237.74.

b. At least 30 days prior to the proposed date of discontinuance, Qwest shall file with the Commission a petition to discontinue a price-regulated service. At the same time, Qwest shall provide notice of such filing to the affected customers of its intent to discontinue the service. Parties shall have 10 days from the date of the filing to file initial comments on the petition. Reply comments may be filed 5 days after the initial comments. If no comments are filed, the proposed changes shall go into effect on the date specified by the

Company. If comments are filed, the Commission shall hold such hearings as it deems appropriate and issue its final order within 45 days of the filing of the petition by Qwest.

3. Reclassification of Price Regulated Services to Flexibly-Priced Services.

When the Company presents documentation that any one of the following conditions is present, the Commission shall reclassify the price-regulated service as “flexibly-priced.”

- (1) That the service is not essential for providing local telephone service or access to the local telephone network; or
- (2) That the service is not integrally related to privacy, health or safety of the Company’s customers; or
- (3) That a reasonable alternative exists within the relevant market or geographic area on reasonably comparable terms and conditions.

C. Flexibly-Priced Services.

1. Permitted Price Changes and Procedures for Flexibly-Priced Services.

Specific services or categories of services that are classified as flexibly-priced services under this Revised Plan are listed in Appendix A, page 3.

2. The following section sets forth the procedures for adjusting the price lists for flexibly priced services during the term of the Plan.

a. Price Decreases.

Qwest may file for price decreases at any time. Decreases will be effective on the day after the filing, unless a later time period is designated by Qwest. If Qwest has decreased a price, Qwest may subsequently increase that price back to the price level existing June 30, 2005, notwithstanding the provisions of IV.C.1.c.

b. Price Increases.

Qwest may file for rate increases at any time. Qwest may implement price increases for flexibly priced services 20 days after filing with the Commission and the provision of notice to affected customers.

c. Procedures for Objection to Price Increases to Flexibly-Priced Services.

In the event Qwest proposes a price increase to a flexibly-priced service, if the Department or the Office of the Attorney General, Residential Utilities Division have reason to believe that the proposed increase is inconsistent with the practices of other telecommunications carriers including CLECs, telephone companies, cable providers, wireless providers and any other provider including providers of VOIP services, the Department or OAG may file an objection with the Commission within 20 days of the notice. In its objection, the Department or OAG shall specify facts demonstrating the manner in which Qwest's proposal is significantly inconsistent with the same or similar prices of any telecommunications carriers including CLECs, telephone companies, cable providers, wireless providers and any other provider including providers of VOIP services . If, after receipt of a valid objection, the Commission within 90 days of the date of notice makes specific findings based on substantial evidence demonstrating that Qwest's proposal is significantly inconsistent with the same or similar prices of other providers of similar services, it may disapprove the requested increase or approve a lesser increase. If the Commission does not make such a determination within 90 days , the proposal shall be considered approved. If no objection is filed within 20 days of Qwest's filing, the price increase(s) shall be deemed approved.

If the Commission for any reason orders a rate decrease to a price-regulated service, Qwest shall be permitted to institute revenue-neutral price increase(s) to other price-regulated services.

d. Other Changes to the Price List.

All other changes to the price list shall be effective after filing, on the date designated by Qwest.

3. Reclassification of Flexibly-Priced Services to Non-Price Regulated Services.

The Commission shall reclassify a flexibly-priced service as a non-price regulated service when the Company submits documentation that there are two other communication providers providing the same or functionally equivalent service and that the service is actually available to and being used by customers.

4. Discontinuance of a Flexibly-Priced Service.

a. Qwest 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 flexibly-priced in accordance with the procedures set forth below. For the discontinuance of toll service, Qwest shall comply with the discontinuance provisions of Minn. Stat. § 237.74.

b. At least 30 days prior to the proposed date of discontinuance, Qwest shall file with the Commission a petition to discontinue a flexibly-priced service. At the same time, Qwest shall provide notice of such filing to the affected customers of its intent to discontinue the service. Parties shall have 10 days from the date of the filing to file initial comments on the petition. Reply comments may be filed 5 days after the initial comments. If

no comments are filed, the proposed changes shall go into effect on the date specified by the Company. If comments are filed, the Commission shall hold such hearings as it deems appropriate and issue its final order within 45 days of the filing of the petition by Qwest.

D. Non-Price Regulated Services.

1. Permitted Price Changes and Procedures for Price Changes for Non-Price-Regulated Services.

a. Qwest may change its prices for non-price-regulated services pursuant to the procedure set forth below. Prices for these services may be increased or may be reduced, but not below TSLRIC.

b. Qwest may implement price changes and other miscellaneous changes for non-price-regulated services immediately upon notice to the Commission 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. § 237.770 and § 237.771.

2. Discontinuance of a Non-Price-Regulated Service.

Commission approval to discontinue a non-price-regulated service is not required. Qwest will give its customers and the Commission 30 days notice prior to discontinuing a non-price-regulated service.

E. Customer Incentives.

Qwest may offer incentives to customers to purchase or continue to purchase services from Qwest including a waiver of non-recurring charges and a waiver of monthly rate(s) on selected services as determined by the Company.

If required by federal law, a customer incentive provided pursuant to this section will be made available for resale by qualified carriers reselling the Company's service.

F. Special Pricing Issues.

Qwest shall charge uniform rates for local services within its service area. However, Qwest may:

- (a) offer unique pricing to certain customers or to certain geographic locations for promotions as allowed by Minn. Stat. 237.626;
- (b) provide volume or term discounts;
- (c) offer different prices in different geographic areas when (1) differences in the cost of providing a service, or market conditions, justify a different price; (2) the areas are served by different competitors; (3) or different prices are charged by competitors serving the areas;
- (d) pass through any legislatively authorized local taxes, franchise fees, or special surcharges imposed by local or regional governmental units on the services provided by Qwest in specific geographic areas from which the taxes, fees, or surcharges originate;
- (e) Qwest may offer a unique price to a specific customer in response to the customer's request to submit a bid or quote to provide service; or
- (f) Charge different rates for local services within its service territory upon a prior finding by the commission that Qwest has good cause to do so.

To the extent prohibited by federal law or the commission, Qwest shall not give preference or discriminate in providing services, products, or facilities to an affiliate or to its own or an affiliate's retail department that sells to consumers. When services are offered on an individually priced basis, the contract and terms of the service offerings are not required to be routinely filed but shall be provided to the Commission, the Department or the OAG upon request.

G. Cost Recovery.

To the extent that a lawful order or mandate of a governmental authority requires investments that impose network or infrastructure-related costs on Qwest, Qwest has the right to recover those costs from its customers. Qwest shall propose rate changes pursuant to this Revised AFOR Plan to recover those costs. If the Commission disapproves Qwest's proposed rates, it must approve an alternative that allows for full recovery of the imposed cost. The Commission may not impose a cost recovery mechanism with which Qwest does not concur.

H. Exogenous Costs.

If the Commission, Legislature or other government entities with appropriate jurisdiction impose new costs on Qwest or changes in Qwest's revenues (collectively referred to as "Exogenous Changes") during the effective period of this AFOR, Qwest may petition to recover Exogenous Changes, including but not limited to changes in the intrastate financial impact of: changes in EAS routes and/or compensation, including changes in intercarrier compensation; comprehensive local service rate restructuring; rate deaveraging; changes in state or federal universal service or funding payments; changes in local, state or federal taxes; changes in the Commission's application of jurisdictional separations, the Uniform System of Accounts or other mandatory Financial Accounting Standards Board accounting standards; assessments related to the use of telephone numbers, including mandated number conservation efforts; financial impacts of government mandates to construct specific telecommunications infrastructure or develop systems beyond that contemplated by this

Revised Plan, and for which Qwest would not otherwise be compensated through some other manner under the plan.

The Commission shall, upon petition, grant recovery of any Exogenous Change through the associated rate including price-regulated rates. Nothing in the Revised Plan alters legal rights Qwest may have related to revenue neutrality set forth by law. Qwest shall have the right to recover federally authorized rates or charges during the term of this Revised Plan. All changes related to local service provider long-term number portability (LNP) are treated in this Plan as federally authorized rates or charges.

Any costs to Qwest resulting from actions by local or regional units of government, including local taxes, franchise fees, relocation or placement of facilities or special surcharges (collectively referred to as a “surcharge”) may be recovered by Qwest under the Plan through a separate line item on Qwest’s customer bills and recovered only from customers living within the jurisdiction that imposed the surcharge or cost.

Prior to imposing a surcharge on customer bills, Qwest shall file a tariff with the Commission identifying the surcharge amount on the customer bill. The tariff will become effective 30 days after filing and after notice to the local or regional government unit.

Qwest may petition the Commission for recovery of any Exogenous Change at any time. Qwest shall be allowed to implement approved increases to its Regulated Prices to recover the financial impacts of Exogenous Changes.

I. Changes Related to Access Charge Reductions.

Qwest shall have the ability to offset reductions in access charge elements with the imposition of a flat monthly end-user charge or surcharge of equivalent value.

J. 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 Qwest is deemed accepted and approved.

V. SERVICE QUALITY

This Plan incorporates, in appendix B, the quality of service measures pursuant to Minn. Stat. § 237.765. The appendix provides customer remedies for retail customers.

VI. INVESTMENT PLAN

As required by Minn. Stat. § 237.761, subd. 8, Qwest incorporates Appendix C which describes Qwest's investment plan.

VII. APPLICABILITY OF STATE AND FEDERAL LAW

A. Applicability of Federal Law.

Nothing in this Plan pertains or relates in any way to any interconnection, collocations, unbundled network elements, or ancillary services provided by Qwest to competitive-based exchange carriers pursuant to the Telecommunications Act of 1996. Nothing in this Plan shall preclude Qwest from recovering from competitive local exchange carriers, consistent with the cost recovery mechanisms created in the Telecommunications Act of 1996, any costs incurred by Qwest as a result of the Act.

B. Applicability of State Law.

The requirements of state law, including but not limited to Minnesota Statutes Chapter 237, Commission Rules, and Commission Orders shall apply to Qwest including Minn. Stat. §§ 237.121, 237.12, 237.162, 237.163, 237.52, 237.70, 237.701, 403.11, 237.66, 237.661 and 237.663, except as stated otherwise in this Revised Plan.