BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF QWEST CORPORATION'S
FILING OF RENEWED PRICE REGULATION
PLAN

IN THE MATTER OF THE INVESTIGATION OF
THE COST OF TELECOMMUNICATIONS
ACCESS

NOTICE OF FILING

Staff of the Arizona Corporation Commission ("Staff") has prepared the attached Principles of Settlement, which represents its understanding of the agreements reached between the Parties. Staff is filing these Principles as a means of updating the Commission and the Administrative Law Judge on the progress of negotiations to-date. These Principles have been distributed to the Parties today that have been active in these negotiations, however, the Parties have not had an opportunity to review the Principles or offer input into them. This is not a unanimous Settlement at this time. The Parties anticipate further negotiations on the Special Access issue before the Principles are codified in a final Settlement Agreement.

RESPECTFULLY SUBMITTED this 21st day of April, 2005.

By: Maureen A. Scott
Christopher C. Kemple, Chief Counsel
Maureen A. Scott, Attorney
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
(602) 542-3402
Original and 15 copies of the foregoing filed this 21st day of April, 2005 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Copy of the foregoing mailed this 21st day of April, 2005 to:

Jane L. Rodda
Administrative Law Judge
400 West Congress Street
Tucson, AZ 85701

Todd Lundy
Qwest Law Department
1801 California Street
Denver, CO 80202

Jeffrey W. Crockett
Snell & Wilmer
One Arizona Center
400 East Van Buren
Phoenix, AZ 85004-2202

Michael W. Patten
Roskhika Heyman & DeWulf, PLC
400 E. Van Buren Street, Suite 800
Phoenix, AZ 85004
Attorneys for Xpedius

Thomas H. Campbell
Michael T. Hallam
Lewis and Roca
40 North Central Avenue
Phoenix, AZ 85004
Attorneys for MCI and Time Warner

Peter Q. Nyce, Jr.
Regulatory Law Office
U.S. Army Litigation Center
901 N. Stuart Street, Suite 713
Arlington, VA 22203-1644

Walter W. Meek
AUIA
2100 N. Central, Suite 210
Phoenix, AZ 85004

Timothy Berg
Theresa Dwyer
Darcy R. Renfro
Fennemore Craig, P.C.
3003 N. Central, Suite 2600
Phoenix, AZ 85012-2913

Martin A. Aronson, Esq.
Morrill & Aronson, PLC
One E. Camelback, Suite 340
Phoenix, AZ 85012-1648
Attorneys for Arizona Dialtone, Inc.

Scott S. Wakefield
Chief Counsel
RUCO
1110 W. Washington, Suite 220
Phoenix, AZ 85007

Mark A. DiNunzio
Cox Arizona Telecom, LLC
MS: DV3-16, Bldg. C
1550 West Deer Valley Road
Phoenix, AZ 85027

Thomas F. Dixon
WorldCom, Inc.
707 17th Street, 39th Floor
Denver, CO 80202

Richard Lee
Snavely King Majoros O’Connor & Lee, Inc.
1220 L Street, N.W., Suite 410
Washington, D.C. 20005

Albert Sterman
Arizona Consumers Council
2849 East Eighth Street
Tucson, AZ 85716
Joan S. Burke  
Osborn Maledon PA  
2929 N. Central, Suite 2100  
Phoenix, AZ 85012-2794  
Attorneys for XO Communications

Brian Thomas  
Vice President Regulatory  
Time Warner Telecom, Inc.  
223 Taylor Avenue, North  
Seattle, WA 98109

[Signature]
Summary of Principles of Settlement

1. April 1, 2005 Reduction
   Qwest’s authorized revenue requirement for the first year of the Plan will be reduced by the April 1, 2005 adjustment.

2. Qwest Appeals
   Qwest will dismiss its appeals of the 4-1-04 and 4-1-05 Price Cap Plan reductions

3. Revenue Cap
   Qwest authorized revenues will be increased by $31.8 million

4. Baskets
   Services will be placed in the following Baskets:
   a. Basket 1: Hard-Capped Services
   b. Basket 2: Limited Pricing Flexibility Services
   c. Basket 3: Flexibly-Priced Competitive Services
   d. Basket 4: Wholesale Services

5. Headroom
   Headroom will equal the difference between Qwest’s current Revenues and the new authorized rates. (Current revenues are in excess of $920 million excluding B&C and Voice Mail.) The split between Baskets 2 and 3 is to be determined.

6. Future Competitive Zone Proposals
   Qwest will not file a new competitive zone proposal during the life of the plan.

7. Imputation/Price Floors
   The parties agreed that there is no need to pursue this matter. The Renewed Plan will contain the same requirements as the Initial Plan.

8. Promotions
   Qwest will be allowed to implement promotions on one day notice to the Commission.

9. Voice Mail Service and Billing and Collection Services
   Voice Mail and IXC Billing and Collection Service will be deregulated.

10. Depreciation
    Qwest’s depreciation expenses shall be reduced by $255 million annually for the first five years and $225 million thereafter.

11. Regulatory/Accounting:
    a. SOP-98 – Adopted SOP 98-1 in 2001 consistent with OPEBs
    b. OPEB’s - Adopted SFAS 106 on 4-1-2001
c. use of GAAP – see Depreciation discussion,
e. BSI – Qwest has corrected its accounting.
f. xDSL revenue/cost matching – Qwest will accept Staff's accounting adjustment.

12. **D.A. (1 free call)**
Qwest will continue the current practice.

13. **Line Extension Credit**
Qwest will increase the line extension credit from $3000 to $5000.

14. **Service Quality**
Qwest will accept Staff's proposed service quality tariff amendments

15. **AUSF**
Qwest will withdraw the proposed AUSF proposal that was submitted in this docket.

16. **Elimination of Certain Reports**
Qwest will no longer be required to file the deposit calculation and PAL line reports.

17. **Other Consumer Benefits**
a. Zone Increment charges will be reduced by fifty percent.
b. Non-published and Non-listed rates will each be reduced by fifty cents.
c. Medically Needy program funding will be increased by $1 million annually with additional publicity.

18. **Packaged Offerings**
Packaged offerings will be included in Basket 3 with individual elements of the packages available on an a la carte basis in Baskets 1 or 2.

19. **Switched Access**
Switched Access charges will be reduced by $12 million. This will be a revenue neutral change.

20. **Special Access**
Discussions are ongoing.