

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 06V-170T

IN THE MATTER OF QWEST CORPORATION'S MOTION FOR PERMANENT
WAIVER OF THE REQUIREMENT FROM APP NO. 23116, THAT IT FILE A PRO
FORMA TEST YEAR AND MOTION FOR EXTENSION OF TIME TO FILE A PRO
FORMA TEST YEAR WITH ITS 2005 ANNUAL REPORT

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (“Agreement”) is entered into by and among Qwest Corporation (“Qwest”), the Colorado Office of Consumer Counsel (“OCC”), and the Staff of the Colorado Public Utilities Commission (“Staff”) (collectively “Settling Parties”). This Agreement sets forth the terms and conditions by which the Settling Parties have mutually agreed to resolve certain issues in the above-captioned docket.

RECITALS

A. On March 28, 2006, Qwest filed a Motion for a Permanent Wavier of The Requirement That it File a *Pro Forma* Test Year and Motion for Extension of Time to File a *Pro Forma* Test Year with Its 2005 Annual Report. Qwest sought termination of the requirement that it file an annual *pro forma* test year as part of its annual report to the Commission. The *pro forma* test year is commonly referred to as Appendix A to Qwest’s annual report filings.¹ The obligation to file Appendix A appears to have been derived from Decision No. 72385 as modified by Decision No. 88513.²

¹ The phrase “Appendix A” is used, for example, in Commission Staff’s letter dated January 25, 2006 regarding Qwest’s annual report.

² Decision No. 72385 as modified by Decision No. 88513 refers to a “financial and operating report for the calendar year next preceding the date of the report.” This reporting requirement appears to be the genesis of the requirement that Qwest file an annual *pro forma* test year.

B. On April 11, 2006, the OCC filed its Notice of Intervention of Right, Entry of Appearance, Request for Hearing and Opposition to Qwest's Motion for a Permanent Waiver of the Requirement that it File a *Pro Forma* Test Year and Motion for Extension of Time to File a *Pro Forma* Test Year with its 2005 Annual Report. On April 11, 2006, Staff filed a response to Qwest's Motions. On June 1, 2006, Staff sought leave to intervene. The OCC and Staff motions to intervene were granted. See Decision No. C06-0661. There are no other parties to this proceeding.

C. While this proceeding has been pending, the Settling Parties have engaged in discussions in order to develop a list of the information Qwest will be required to provide in future years in its annual report beginning with the annual report for calendar year 2006 in lieu of Appendix A. In this Agreement, the Settling Parties have memorialized a list of the information Qwest will be required to provide for 2006 and future years in its annual report in lieu of Appendix A. The Settling Parties believe that this Agreement is in the public interest, as more fully explained below.

AGREEMENT

WHEREFORE, the Settling Parties agree and stipulate as follows:

1. Qwest's obligation to file what is commonly referred to as Appendix A to annual report is terminated. In lieu of filing Appendix A to its annual report, Qwest agrees to submit the following information as part of its annual report to the Commission, beginning with its annual report for calendar year 2006:

A. Qwest Corporation's summary and detail 1990s reports and the summary of state deregulated results of operations currently provided in Appendix B to Qwest's annual report. If during the compilation of these reports and/or data Qwest determines that either factors or amounts contained in the 1990 reports or summary of deregulated results of operations have been affected by significant one-time transactions during the year that distort the year's results,

Qwest will identify those transactions and provide Staff and the OCC with appropriate documentation so that Staff and/or the OCC can make adjustments to the data as they deem appropriate;

- B. Qwest's headquarters prorate reports (summary and by account);
- C. The Qwest-computed revenue multiplier;
- D. Qwest Corporation's capital structure using Qwest Corporation total company data, which will include the monthly balances of debt and equity and the associated monthly average cost of debt. This data will also include Qwest Corporation's cost of equity;
- E. Qwest Corporation's pension asset, defined as the monthly activity and balances of Account 1410.1 from Qwest Corporation's general ledger for the calendar year and
- F. Qwest Corporation's calendar year advertising expenses contained in Qwest Corporation's general ledger sub-accounts for 6722.2, Corporate Advertising, 6722.3, Public & Community Relations and General Advertising and 6722.9, Other;
- G. A statement that Qwest Corporation's charity and lobbying expense are booked to Account 7370, non-operating expense, and are not included in operating expense accounts. If Qwest Corporation's charity and lobbying expense are ever booked to an account other than Account 7370, Non-Operating Expense, Qwest will include a statement that indicates the account(s) to which the expenses were booked; and
- H. Qwest Corporation's equity allocated to state deregulated products. Qwest Corporation will provide the underlying formula and the sources of the elements of the formula used on the Qwest Corporation earnings statement.

The information described in this Paragraph 1 A through H shall be provided to the Commission as part of the annual report Qwest is required to file each year with the Commission pursuant to the Commission's rules.

2. In order to provide a documentary example of the data the Settling Parties have agreed that Qwest should provide as part of its annual report in lieu of Appendix A, Qwest has compiled the information listed in Paragraph 1 A through H using 2005 data. This information is attached as Confidential Attachments A through H to this Agreement. The Settling Parties agree

that Confidential Attachments A through H using 2005 data are in lieu of filing an Appendix A for calendar year 2005, satisfying Qwest's reporting obligation in 2006 for which Qwest received an extension of time to file. The Settling Parties agree that the information contained in Confidential Attachments A through H are an accurate representation of the information Qwest shall provide as part of its annual report to the Commission in lieu of Appendix A beginning with Qwest's annual report for calendar year 2006.

3. This Agreement is made for settlement purposes only. No Settling Party concedes the validity or correctness of any regulatory principle or methodology directly or indirectly incorporated in this Agreement. Furthermore, this Agreement does not constitute agreement, by any Settling Party, that any principle or methodology contained within this Agreement may be applied to any situation other than the above-captioned docket. No precedential effect or other significance, except as may be necessary to enforce this Agreement or a Commission order concerning the Agreement, shall attach to any principle or methodology contained in the Agreement.

4. The Settling Parties will support all aspects of the agreement embodied in this document in any hearing conducted to determine whether the Commission should approve this Agreement, and/or in any other hearing, proceeding, or judicial review relating to this Agreement or the implementation of its terms and conditions. Each Settling Party also agrees that, except as expressly provided in this Agreement, it will take no action in any administrative or judicial proceeding, or otherwise, which would have the effect, directly or indirectly, of contravening the provisions or purposes of this Agreement. Furthermore, each Settling Party represents that, except as expressly provided in this Agreement, in any proceeding in which this Agreement or its subject matter may be raised by a non-party, it will support the continued effectiveness of this

Agreement and its terms and conditions. Without prejudice to the foregoing, the Settling Parties expressly reserve the right to advocate positions different from those stated in this Agreement in any proceeding other than one necessary to obtain approval of, or to implement, this Agreement or its terms and conditions. Nothing in this Agreement shall constitute a waiver by any Settling Party with respect to any matter not specifically addressed in this Agreement.

5. This Agreement shall not become effective and shall be of no force and effect until the issuance of a final Commission order approving this Agreement, which order does not contain any modification of the terms and conditions of this Agreement that is unacceptable to any of the Settling Parties. In the event the Commission modifies this Agreement in a manner unacceptable to any Settling Party hereto, that party may withdraw from the Agreement and shall so notify the Commission and the other Settling Parties to the Agreement in writing within ten (10) days of the date of the Commission order. In the event a Settling Party exercises its right to withdraw from the Agreement, this Agreement shall be null and void and of no effect and no force in this or any other proceeding.

6. In the event this Agreement becomes null and void or in the event the Commission does not approve this Agreement, this Agreement, as well as the negotiations or discussion undertaken in conjunction with the Agreement, shall not be admissible into evidence in this or any other proceeding.

7. The Settling Parties state that they have reached this Agreement by means of a negotiated process that is in the public interest, and that the results reflected in this Agreement are just, reasonable, and in the public interest. The Settling Parties agree that approval by the Commission of this Agreement shall constitute a determination that the Agreement represents a just, equitable, and reasonable resolution of the issues raised.

8. The Settling Parties agree jointly to apply to the Commission for a waiver of compliance with any requirements of the Commission's Rules and Regulations to the extent necessary to permit all provisions of this Agreement to be carried out and effectuated.

9. This Agreement is an integrated agreement that may not be altered by the unilateral determination of any Settling Party to the Agreement.

10. This Agreement may be executed in separate counterparts. The counterparts taken together shall constitute the whole Agreement.

Dated this 5th day of February 2007

OFFICE OF CONSUMER COUNSEL

By: Rob Trokey

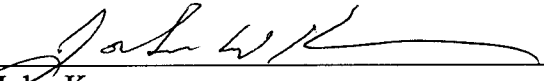
Rob Trokey
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APPROVED AS TO FORM

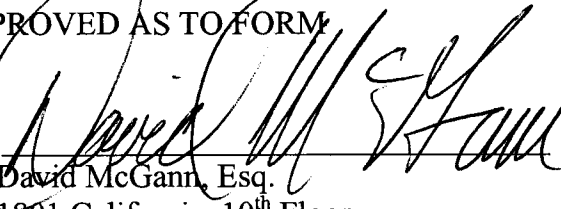
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CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of February, 2007, an original and 7 copies of the foregoing **STIPULATION AND SETTLEMENT AGREEMENT**, along with an electronic version, was hand delivered to the following:

Mr. Doug Dean
Director
Colorado Public Utilities Commission
1580 Logan Street
Office Level 2
Denver, CO 80203

And a true and complete copy of same was sent via e-mail on this 5th day of February, 2007, to all parties on the service list in Docket No. 06V-170T.

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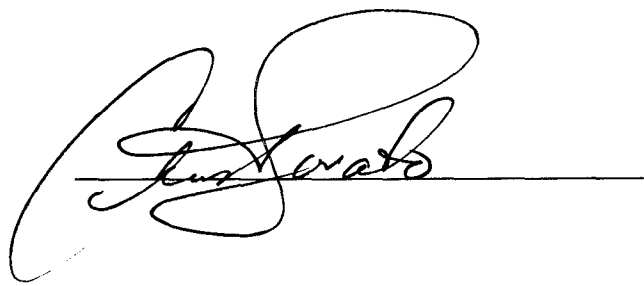
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A handwritten signature in black ink, appearing to read "Rob Trokey", is written over a horizontal line. The signature is stylized with large, looping letters.

Qwest Corporation
Docket No. 06V-170T
Stipulation and Settlement Agreement

**CONFIDENTIAL ATTACHMENTS
A-H**

HAVE BEEN FILED UNDER SEAL