BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF STRASBURG TELEPHONE COMPANY, INC. FOR APPROVAL OF ITS PLAN FOR MODIFICATION OF ITS LOCAL CALLING AREA.	)))))	Docket No. 03A-102T

STIPULATION AND SETTLEMENT AGREEMENT OF THE PARTIES

Strasburg Telephone Company, Inc. ("Strasburg"), Qwest Corporation ("Qwest"), the Staff of the Public Utilities Commission of the State of Colorado ("Staff "), and the Office of Consumer Counsel ("OCC"), each individually a "Party" and collectively the "Parties", by and through their respective counsel, submit this Stipulation and Settlement Agreement ("Stipulation") in full settlement of the issues in the above-captioned docket. The Parties respectfully submit this Stipulation for approval by the Commission pursuant to Rule 723-1-83(a) (2000) of the Commission's Rules of Practice and Procedure. The Parties agree and stipulate as follows:

1. Procedural Background. On or about March 14, 2003 Applicant Strasburg filed its Application for Modification of its Local Calling Area and Motion for Waiver of Certain Commission Rules Pertaining to Expanded Local Calling (4 CCR 723-2-17.3), requesting expansion of the local calling area for its customers into the metro Denver area. The Application was accompanied by the Affidavit of Paul E. Pederson, Director of Government and Regulatory Affairs for TDS Telecom and Vice President of Strasburg, supporting the waiver requests contained in the pleading. Also attached to the Application was a map identifying the boundary locations of the Strasburg Exchange. Filed contemporaneously with the Application were the Direct Testimony

and Exhibits of Marilyn Elliott and the Direct Testimony and Exhibits of Keith M. Yefchak. Attached to the Elliott Testimony is information concerning the Company's survey of its customers to determine interest in and support for expanded local calling as well as copies of 36 letters from customers, and governmental and business entities supporting the Application. Attached to the Yefchak Testimony is a revised Local Access Services Tariff reflecting the requested calling area expansion. Also filed under seal in the Docket are several confidential exhibits to the Yefchak Testimony that provide statistical, financial, and Cost Study information in support of the filing. The Commission published its Notice of Application Filed on or about March 18, 2003. Qwest intervened in the application on April 17, 2003. OCC filed it Notice of Intervention on April 16, 2003. On or about May 2, 2003, without opposition by Strasburg or Qwest and with leave of the Commission, Staff intervened in the application. Also during the months of April and May, 2003, non-disclosure agreements, pursuant to Commission Rule 723-16, were filed on behalf of the OCC, Staff and Qwest. Staff and OCC expressed concerns to Strasburg about the mandatory aspect of the proposed expanding local calling plan. The Parties engaged in discussions via email and by telephone. Their representatives met in person on May 29 in the office of the OCC. Applicant proposed a settlement package that was subsequently finalized by a tentative settlement agreement reached during the week of June 9, 2003.

2. <u>Requested Expansion of Local Calling Area</u>. The application requests expanded local calling into the Denver metro exchanges for Strasburg's customers. The Parties agree herein on the terms and conditions of the optional calling plans and their associated rates under which such expanded local calling for Strasburg's customers should be approved by the Commission.

3. <u>Stipulated Expansion of Local Calling Area</u>. Qwest stipulates and agrees that it takes no position relative to the requested calling area expansion, yet does not oppose the Strasburg

application. Staff and the OCC stipulate and agree that they generally favor the application. The Parties stipulate and agree that the application should be granted, and that the application and the settlement among the parties shall not result in any discontinuance or curtailment of any pre-existing local calling areas.

4. Applicable Rules: Community of Interest Standard. The Strasburg Application, supported by the Yefchak Direct Testimony at page 3 of 9 notes that the calling volume requirements in Commission Rule 732-2-17.3.3.1 are met by its customers. The Company has also made "independent application" for approval pursuant to Commission Rule 723-2-17.3.3.2 ("Alternate Criteria Standard") because of the strong community of interest evidence it has presented between its customers and the Denver metro area. In determining whether the community of interest Alternate Criteria Standard is met, Rule 17.3.3.2 states that the Commission shall consider "community of interest issues dictated by urban growth patterns, and the present and future availability of essential services in rural areas." In making its determination, the Commission is required to consider: (a) The local calling area principles of Rule 723-2-17.3.1; (b) customer calling patterns; (c) the location of transportation centers; (d) demographic profiles of the residents of the exchange(s); and (e) the location of primary centers of business activity and employment centers, and the location of employee residences, and may consider other pertinent factors.

5. Conformity with Alternate Criteria Standard. The Strasburg Application and its supporting documentation, including the testimonies of Marilyn Elliott and Keith M. Yefchak and their respective exhibits as summarized and commented upon below, support the existence of a community of interest between and among Strasburg's customers and the metro Denver calling area. To the extent that these requirements are not met Strasburg has requested waiver of the requirement of this rule in light of the discontinuity in calling areas that was created for its

customers by this Commission's approval of the Bijou Application for Expanded Local Calling in Docket No. 01A-124T. The Parties support any required waiver. The Parties also note that it is provided in Rule 723-2-17.3.3.2(a), and in the local calling area principles set out in Rule 723-2-17.3.1 that each local calling area should, in general and to the extent possible: (a) allow customers to place and receive calls without payment of a toll charge to "9-1-1", the county seat, municipal government, elementary and secondary school districts, libraries, primary centers of business activity, police and fire departments, and essential medical and emergency services; (b) be provided in both directions between the two exchange areas; and (c) not exhibit any discontinuities. As is noted in the Strasburg Application and its supporting materials, its customers live in a predominately rural area which is located on the fringe of an ever expanding Denver suburban area. Strasburg customers must make long distance calls to reach their governmental, primary business, educational and certain medical services. As is noted in the supporting correspondence from governmental entities, including the Strasburg School District No. 31-J, Arapahoe County, and Adams County, the current local calling area requires that long distance charges be incurred by citizens utilizing educational and governmental services and the change requested by the Strasburg Application is strongly supported. In addition, the I-70 Regional Economic Advancement Partnership endorses the filing to enhance the economic and social well being of the Strasburg area. The testimony of Ms. Elliott indicates the numerous contacts she has had from company customers who note their community of interest for governmental, medical and educational needs with the greater metro Denver calling area. Also as noted previously, a "calling discontinuity" does presently exist in that customers of the Bijou Telephone Cooperative who are located further out the I-70 corridor from metro Denver than Strasburg's customers – are able to make local calls into metro Denver while customers located in Strasburg must incur a toll charge to make a metro area call.

6. Rate Impact: Strasburg Customers and Customer Survey. Under the terms of the Parties' settlement agreement, Strasburg will offer its customers four options for expanded local calling. The four options are set forth in Exhibit A to this Agreement. They are separately identified as: (1) the "Denver Base Plan"; (2) the "Denver Plus Plan"; (3) the "Denver Advantage Plan" and (4) the "Denver Super Advantage Plan." The customer rates for the separate plans are set forth in full in the attached Exhibit A. The current local exchange residential basic rate and business basic rate will not change for those Strasburg customers who do not elect to take any of the alternative optional calling plans. Because the Strasburg calling plans are optional, it has sought waiver of Commission Rule 723-2-17.3.3.3 which requires that "...any rate increment shall be determined by apportioning the cost among all of the customers of the provider." The Parties support this requested waiver. The Parties also note that Strasburg surveyed its customers to determine their interest in expanded local calling. This satisfies the requirements of Commission Rule 723-1.17.3.6.1. To the extent that the rule contemplates a survey only after Commission "notification" or "as ordered", the Parties support waiver of this requirement as well in light of Strasburg's good faith survey effort.

7. Cost and Rate Impact on Qwest. Expansion of local calling areas in growing communities is a process conducted under Commission Rule for the benefit of local exchange customers, avoiding future costs for customers (due to an increasing need to place toll calls) and safeguarding service providers from unreasonable financial impact. The benefit to Strasburg's customers of the requested expansion will have two significant impacts on Qwest: (1) Loss of present revenue that may include, but is not limited to, revenues associated with access service

rates[1] paid by toll providers and loss of present revenues associated with long distance rates[2] paid by end-user customers; and (2) Increased infrastructure networking costs created by the need to reinforce local trunking and network capacity due to increased local calling. The Staff and Qwest believe that Commission Rules show an intent that providers expand local calling areas in a revenue-neutral process, with present-day costs recovered through an increase in local call rates. The OCC does not agree with Staff's and Qwest's interpretation of Commission Rules. Rule 723-2- 17.3.3.3 states: "When a local calling area is expanded, any rate increment shall be determined by apportioning the cost among all the customers of the provider." Commission Rules require the service provider to calculate the costs of local calling area expansion and present a "Cost Study" to Staff for review and verification. If necessary, the cost calculations may be modified by the Commission. See Rule 723-2-17.3.5. The Parties agree that both Strasburg and Qwest have conducted and submitted the results of a Cost Study to Staff and the OCC, that Staff and the OCC have reviewed these studies and their supporting information. Staff and the OCC have found that the calculations for the proposed calling area expansion are complete and that they accurately quantify and support both Strasburg's proposed optional calling plan monthly rate(s) and Qwest's revenue requirement deficiency. Qwest's revenue requirement deficiency is attached to and incorporated in this Agreement by this reference as Confidential Exhibit B (under seal). Qwest's total revenue requirement deficiency associated with the local calling area expansion requested by Strasburg, as reviewed and approved by Staff and the OCC, is contained in Confidential Exhibit B. The amount of this revenue requirement deficiency does not warrant an increase in Qwest's basic local rates at this time. Staff, the OCC and Qwest, therefore, agree to defer recovery of the revenue

[1] Excluding the High Cost Fund support deficiency due to the elimination of the Carrier Common Line Charges (CCLC) associated with the Colorado High Cost Fund calculation. Future Colorado High Cost Fund calculations will be adjusted to reflect the CCLC impacts.

requirement deficiency until such time as Qwest combines this revenue requirement deficiency with other revenue requirement deficiencies in the following manner. In a previous docket Qwest, the OCC, and Staff entered into a stipulation that became the basis of Qwest's Price Regulation Plan, which stipulation was approved in Decision Nos. C99-222 and C99-407, and was further modified by a subsequent local number portability ("LNP") stipulation, approved in Decision No. C00-989, (hereinafter referred to as the "LNP Stipulation"). The LNP Stipulation requires reductions in business rates of approximately $4.4 Million. Qwest, OCC and Staff agree to further modify the LNP Stipulation such that instead of reducing business rates as contemplated in the LNP Stipulation, Qwest will use approximately $700,000 of said reduction to offset revenue losses for the EAS expansions of Garfield (Docket No. 02A-010T), Bijou (Docket No. 01A-124T), Eastern Slope (Docket No. 03A-124T) and the instant docket. The OCC and Staff agree to actively promote and seek Commission approval of this modification to the LNP Stipulation.

8. Time Line. The estimated time to complete the local calling area expansion for Strasburg's customers is ninety (90) days after issuance of the Commission's Final Order. If it becomes apparent that a substantial departure from this time frame is likely to occur, the Parties will file a notice in the above-captioned docket and provide for service upon all Parties.

9. Customer Notice. Strasburg will notify its customers of their expanded local calling plan option by direct mail in conformance with the Notice attached as Exhibit Five to the Testimony of Marilyn Elliott. Such notice will describe the calling plan options and their rates with specificity and will advise of the date of the availability of the service consistent with paragraph 8 above. Notice will not be provided to Qwest's metro Denver area customer base nor to the Denver

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[2] Excluding the High Cost Fund support deficiency due to the elimination of the Imputed Carrier Common Line Charges (CCLC) associated with the Colorado High Cost Fund calculation. Future Colorado High Cost Fund calculations will be adjusted to reflect the CCLC impacts.

metro area customers of other providers either by Strasburg or by Qwest. Because of the costs associated with such notice, the Parties support waiver of any such notice requirement.

10. Tariff Amendments. Qwest will file any necessary tariff amendments no later then fifteen days prior to the implementation date identified in paragraph 8, above, or within such other period of time as may be required by applicable law. Strasburg has filed a draft tariff with its Application. It will file a revised, implementing tariff no later than fifteen days prior to the implementation date noted in paragraph 8 above, or within such other period of time as may be required by applicable law.

11. Purpose of this Agreement. This Agreement is a settlement of disputed and compromised claims and, accordingly, is made for settlement purposes only. No 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 an agreement, by any 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 this Agreement, shall attach to any principle or methodology contained in this Agreement.

12. Support by Parties. The Parties agree to support all aspects of the stipulations and agreements embodied in this Agreement in any hearing or proceeding conducted to determine whether the Commission should approve this Agreement, including but not limited to any pleadings, comments filed or testimony given in such a proceeding, or in any appeal of the decision. Each party also agrees that, except as expressly provided in this Agreement, e.g. paragraph 7 above, 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 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, each party will support the continued effectiveness of this Agreement. Without prejudice to the foregoing, but with the exception of Qwest's recovery of the revenue requirement deficiency as stated in paragraph 7 above, the Parties and each of them expressly reserve the right to advocate positions different from those stated in this Agreement in any proceeding other than one necessary to enforce or obtain approval of this Agreement or a Commission order concerning this Agreement. Nothing in this Agreement shall constitute a waiver by the Parties or any of them with respect to any matter not specifically addressed in this Agreement.

13. Final Commission Order. 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 and not containing any material modification of this Agreement that is deemed unacceptable by any of the Parties. In the event the Commission modifies this Agreement in a manner unacceptable to any party, that party may withdraw from this Agreement and shall so notify the Commission and the other Parties in writing within ten (10) days of the date of the Commission order. In the event a party exercises its right to withdraw from this Agreement, this Agreement shall be null and void and of no effect in these or any other proceedings, and the above-captioned docket shall be set for hearing and a procedural schedule established.

14. Inadmissibility. 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 and discussions undertaken in conjunction with this Agreement, shall not be admissible into evidence in these or any other proceedings.

15. Public Interest. The Parties stipulate that they have reached this Agreement by means of a negotiated process in the public interest and that the results reflected in this Agreement are stipulated to be just, reasonable, and in the public interest. Approval by the Commission of this Agreement shall constitute a Commission determination that the stipulations and agreements contained herein are a just, equitable, and reasonable resolution of the issues described in the application and in this Agreement. The Parties agree to the specific waiver of any Commission Rule identified in this Agreement, and the waiver of any such additional Commission rule, to the e extent necessary to implement or effectuate this Agreement.

16. Construction and Enforcement. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Colorado.

17. Integrated and Binding Agreement. This Agreement is an integrated agreement that may not be altered by the unilateral determination of any party and which shall be binding on and shall inure to the benefit of the Parties hereto and their successors and assigns.

18. Counterparts. This Agreement may be executed in separate counterparts, and the counterparts taken together shall constitute the whole of this Agreement.

19. Facsimile Execution and Signature Authority. This Agreement may be executed by facsimile transmission. Signatures obtained through facsimile transmission shall be valid and binding, as if they were original signatures. Attorneys and other representatives and agents, signing on behalf of the Parties, represent and warrant that each has the authority to bind the party to the terms of this Agreement.

STIPULATED AND AGREED UPON this 20TH day of June, 2003.

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EXHIBIT "A"

TDS TELECOM
STRASBURG TO DENVER CALLING OPTIONS

Plan Option	Denver Optional Call Plan Name	Denver Optional Call Plan Description	Proposed Rate To Call Denver	Service Description		Rate without Package	Rate with Package
1	Denver Base Plan	No Flat rate however customers pay 18 cents per MOU	$0.18 Per MOU	Residential 1 Party Service*		$16.40	$16.40
				Average Toll to Denver		$4.11*	$6.12
				Total		$20.51	$22.52
2	Denver Plus Plan	Unlimited Calling to Denver for $14.95	$14.95	Residential 1 Party Service*		$16.40	$16.40
				Average Toll to Denver		$31.80*	$14.95
				Total		$48.20	$31.35
3	Denver Advantage Plan	Unlimited Calling to Denver at a $11.95 Value Price	$11.95	**Plan With either TDS INTERNET OR TOTAL TALK**	**Base Rate No Discounts**	**TDS INTERNET OPTION**	**TOTAL TALK OPTION**
				Residential 1 Party Service*	$16.40	$16.40	$16.40
				Average Toll to Denver	$31.80*	$11.95	$11.95
				TDS INTERNET or TDS TOTAL TALK	$20.95-$24.90	$20.95	$18.55
				Total	$69.15-$73.10	$49.30	$46.90
4	Denver Super Advantage Plan	Unlimited Calling to Denver at the lowest flat rate of $7.95	$7.95	**Plan With both TDS INTERNET AND TOTAL TALK**		**BUYING INDIVIDUAL SERVICES**	**PACKAGE RATE WITH NET AND TOTAL TALK**
				Residential 1 Party Service*		$16.40	$16.40
				TDS TOTAL TALK			$18.55
				Call Conference		$2.50	
				Call Waiting		$2.50	
				Caller ID Deluxe		$7.50	
				Anonymous Call Rejection		$2.75	
				Priority Ring		$2.75	
				Vertical Service Discounts		($4.00)	
				TDS TRUE TALK(60 MOU)**		$7.95	
				Inside Wire Maintenance		$2.95	
				TDS INTERNET		$20.95	$16.95
				DENVER PLUS PLAN		$31.80	$7.95
				Total with Total Talk and TDS INTERNET And Denver Super Advantage plan		$94.05	$59.85

Notes*
(1) Average Toll Rates were developed by looking at our current CABS MOU customer calling patterns in Exhibit 5,
(2) Customers with less than 137 CABS MOU were used to develop the average toll bill in Option 1
and customers greater than 137 CABS MOU were used to develop the average toll Bill in Options 2-4,
(3) The average toll rate of 12 cents was used to come up with the average toll bill in Options 1-4,
(4) The overall Average Toll Bill for customers calling into Denver is estimated to be $9.40 based on 12 cents per MOU,
(5) The optional call plan will be offered to all classes of local exchange customers, Residential was used for illustrative purposes,
**TDS TOTAL TALK base price with 60 MIN of LD is $18.55. The LD can be used for calling anywhere in the Continental U.S.A.

EXHIBIT "B"

SUMMARY OF REVENUE REQUIREMENT

Filed Under Seal