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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

Docket No. 03A-496T

IN THE MATTER OF THE JOINT APPLICATION TO EXPAND THE LOCAL CALLING
AREA IN NORTHERN COLORADO

**JOINT MOTION TO APPROVE STIPULATION
AND SETTLEMENT AGREEMENT OF THE PARTIES**

Qwest Corporation ("Qwest"), Nunn Telephone Company ("Nunn"), the Staff of the Public Utilities Commission of the State of Colorado ("Staff") and the Office of Consumer Counsel ("OCC") (collectively "Joint Movants"), by and through their respective counsel, respectfully request that the Commission enter an order approving the Stipulation and Settlement Agreement ("Stipulation") filed contemporaneously herewith in this docket. This Stipulation, together with the Partial Stipulation and Partial Settlement Agreement of the Parties, accepted by the Administrative Law Judge assigned to this docket in Decision No. R04-1070-I, effective September 8, 2004, fully resolves the contested issues in this proceeding.

1. In general, the Stipulation resolves issues concerning the rate increases Qwest will seek before implementing the local calling area expansion. The Stipulation also outlines the unlimited, flat rate calling plan for local calling into the expanded calling area that Nunn intends to implement should the Commission approve the local calling area expansion.

2. Counsel for Staff, the OCC and Nunn have authorized undersigned counsel for Qwest to sign it on their behalf.

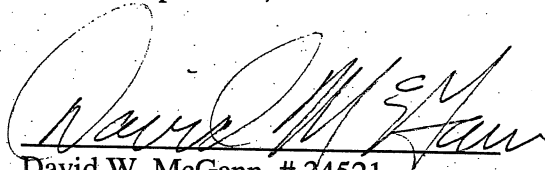
3. As of the filing of this Joint Motion, counsel for the city of Loveland had not responded as to whether the city of Loveland would oppose or not oppose the Stipulation.

WHEREFORE, for good cause shown, the Joint Movants respectfully request that the Commission issue an order approving the Stipulation as filed contemporaneously herewith.

Respectfully submitted this 14th day of January, 2005.

Respectfully Submitted,
Qwest Corporation,

By:



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Attorney for Qwest Corporation

CERTIFICATE OF SERVICE

I hereby certify that an original and 5 copies of the **JOINT MOTION TO APPROVE STIPULATION AND SETTLEMENT AGREEMENT OF THE PARTIES** was hand delivered on this 14th day of January 2005 to the following:

Bruce N. Smith, Executive Director
Colorado Public Utilities Commission
1580 Logan Street, OL-2
Denver, CO 80203

and a copy was hand delivered, unless otherwise noted, this 14th day of January, 2005, to the following addressees:

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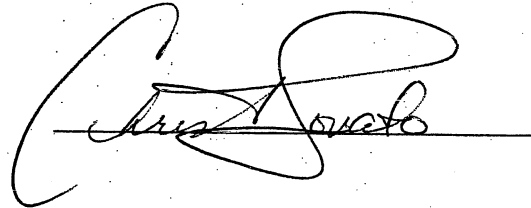
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A handwritten signature in black ink, appearing to read "Anne Botterud", written over a horizontal line.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

Docket No. 03A-496T

IN THE MATTER OF THE JOINT APPLICATION TO EXPAND THE LOCAL CALLING
AREA IN NORTHERN COLORADO

STIPULATION AND SETTLEMENT AGREEMENT OF THE PARTIES

Qwest Corporation ("Qwest"), Nunn Telephone Company ("Nunn"), the Staff of the Public Utilities Commission of the State of Colorado ("Staff"), the Office of Consumer Counsel ("OCC"), and Larimer County, Colorado; Weld County, Colorado; City of Loveland, Colorado; Loveland Chamber of Commerce; City of Greeley, Colorado; Town of Windsor, Colorado; Windsor Chamber of Commerce; City of Fort Collins, Colorado; Fort Collins Chamber of Commerce; Town of Ault, Colorado; Town of Timnath, Colorado; Town of LaSalle, Colorado; Town of Kersey, Colorado; Town of Mead, Colorado; Town of Nunn, Colorado; City of Evans, Colorado; Town of Eaton, Colorado; Town of Estes Park, Colorado; Town of Milliken, Colorado; Town of Platteville, Colorado; Town of Berthoud, Colorado; and Town of Johnstown, Colorado (collectively, the "Applicants"), each individually a "Party" and collectively "the Parties," by and through their respective counsel, submit this Stipulation and Settlement Agreement ("Stipulation") as more fully described herein. 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. This Stipulation, together with the Partial Stipulation and Partial Settlement Agreement of the Parties, accepted by the Administrative Law Judge assigned to this docket in Decision No. R04-1070-I, effective September 8, 2004, fully resolves the contested issues in this proceeding.

PROCEDURAL BACKGROUND

On or about November 14, 2003, the underlying Joint Application was filed seeking a Commission order expanding the Local Calling Area in Northern Colorado ("Joint Application"). The Commission published its Notice of Application Filed on or about November 19, 2003. By Decision No. C03-1350, Qwest and Nunn Telephone Company ("Nunn") were made indispensable parties to the Docket. Qwest and Nunn filed a joint Notice of Intervention, Entry of Appearance, and Request for Extension of Time on December 15, 2003. In the motion, Qwest and Nunn requested an extension of time to and including January 30, 2004 to perform and submit "all necessary analyses to quantify calling volumes per customer ... and all necessary revenue and cost analyses to quantify the rate increment per customer." The motion was granted on December 17, 2003. OCC filed its Notice of Intervention on December 19, 2003. On or about December 30, 2003, Staff intervened.

Also on December 30, 2003, the Commission on its own motion entered an order waiving the requirement that the Commission mail its decision on the status of the Joint Application by January 5, 2004. See Decision No. C03-1465 and 4 C.C.R. 723-2-17.3.5. In that order, the Commission enlarged the time in which the Joint Application would automatically be deemed complete without Commission action and extended the date by which it must determine the completeness of the Joint Application to and including February 19, 2004.

During the months of December of 2003 and January and February of 2004, non-disclosure agreements were filed on behalf of the OCC, Staff, Qwest, and various Applicants pursuant to Rule 723-16.

On January 30, 2004, in accordance with Decision No. C03-1350, Nunn filed the results of its analyses to quantify the calling volumes per customer in the exchanges affected by the Joint

Application as well as all necessary revenue and cost analyses to quantify the rate increment per customer. The revenue and cost analyses demonstrated that expanding the local calling area would equate to a gross annual rate increment of an additional \$43,565 to be recovered from Nunn's customers.

On January 30, 2004, in accordance with Decision No. C03-1350, Qwest filed the results of its analyses to quantify the calling volumes per customer in the exchanges affected by the Joint Application as well as all necessary revenue and cost analyses to quantify the rate increment per customer.

On March 29, 2004, the Parties held a meeting at which Nunn informed the Parties that it would not participate in the local calling area expansion; instead, Nunn stated that it would offer its customers an optional plan to the larger calling area and measured local service to those who do not choose the optional plan.¹ At that time, Nunn did not identify what the rates would be for the optional or measured minutes of use. Staff requested that Qwest revise its cost study to reflect known changes in the switched access carrier common line rates and the capital investment associated with the calling area expansion.

On April 9, 2004, Qwest filed revised analyses to quantify known changes in the switched access carrier common line rates and the capital investment associated with such expansion. Further, Qwest updated the study to reflect the 2003 separations, depreciation and maintenance factors, which became available prior to that filing.

¹ Nunn has agreed to offer an optional unlimited calling area plan for calling into the expanded calling area for \$11.25 per month. See Partial Stipulation and Partial Settlement Agreement of the Parties filed with the Commission for approval on August 30, 2004. For those customers not choosing the optional plan, Nunn will charge customers \$.11 per minute for local calls into the expanded calling area.

On or about April 23, 2004, Staff filed its Unopposed Motion for Enlargement of Time to File a Report in Response to Qwest Corporation's Cost Study, and Request for Waiver of Response Time. That request was granted pursuant to Decision No. R04-0454-I.

On May 13, 2004, Staff filed its Report Pursuant to 4 C.C.R. 723-2-17.3.5. Staff confirmed that Nunn elected to offer an optional local calling area plan while Northern Colorado Qwest customers would receive a non-optional local calling area expansion that would include the Nunn exchange as part of the approval of the Joint Application. Staff further identified the revisions Qwest incorporated into its revised analyses filed with the Commission on August 9, 2004 that addressed Staff's concerns. Staff reported the revised study was complete for purposes of this docket and recommended the study be accepted without further modification.

On May 21, 2004, the ALJ issued an order accepting Qwest's revised cost study filed on or about April 9, 2004 and ordering Qwest to proceed with the customer survey using the survey form approved in the order. See Decision No. R04-0515-I.

On June 30, 2004, Qwest filed its Notice of Survey Results. Qwest reported that it mailed 1,600 surveys to a random selection of its residential customers throughout the exchange areas being considered for calling area expansion. Of the 1,600 surveys mailed, 488 surveys (30.5%) were returned. Of those surveys that were returned, 387 responded yes (79%) and 101 responded no (21%).

On August 30, 2004, the City of Loveland, Nunn, the OCC and Staff filed an Unopposed Joint Motion to Approve Partial Stipulation and Partial Settlement Agreement of the Parties and Request for Waiver of Response Time. On September 8, 2004, the ALJ issued an order accepting the Partial Stipulation and Partial Settlement Agreement of the Parties ("Partial Stipulation"). See Decision No. R04-1070-I. Pursuant to the Partial Stipulation, these parties agreed that the

stipulated facts contained in the Joint Application constitute clear and convincing evidence of a community of interest under the alternative criteria standard of 4 C.C.R. 723-2-17.3.3.2. Qwest did not object to the Commission's approval of the Partial Stipulation.

The Parties believe that this further stipulation, if approved by the Commission, would resolve all outstanding issues in this docket.

THE AGREEMENT

The Parties agree and stipulate as follows:

1. In an attempt to resolve the disputed issues in this docket and to promote administrative efficiency, the Parties are entering into this Stipulation.

2. The Commission's rules provide for the expansion of local calling areas throughout a community of interest for the benefit of affected local exchange customers. The process avoids future costs for customers (due to an increasing need to place toll calls within their community of interest). The benefit to customers in Northern Colorado of the requested expansion will have at least two significant impacts on Qwest: (1) Loss of present revenue that may include, but is not limited to, revenues associated with access service rates paid by toll providers and loss of present revenues associated with long distance rates paid by end-user customers²; 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 § 40-15-502(3)(b)(III), C.R.S. ("the rate cap statute"), and the Stipulation and Settlement Agreement reached between Staff, Qwest and the OCC and approved by the Commission in Docket No. 97A-540T (the "540T Stipulation") permit Qwest, upon review and approval by the Commission, to recover present-day costs associated with the expansion of local calling areas through an increase in basic local

² 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.

exchange rates. The OCC does not agree with Staff and Qwest; in addition, the OCC opposes any make-whole rate increase because Qwest is not under traditional rate-of-return regulation. The OCC acknowledges that Qwest may raise rates in accordance with the stipulation in Docket No. 99A-540T and Colorado law.

3. Qwest conducted and submitted all necessary revenue and cost analyses to quantify the rate increment per customer in accordance with Commission rules. The Parties have reviewed this study and its supporting information. The Parties do not oppose use of the analyses for appropriate purposes in this docket. Qwest's projected net revenue requirement associated with the local calling area expansion requested by the Joint Applicants was filed under seal with the Commission.

4. Qwest may increase the rates identified below upon implementation of the local calling area expansion. The Parties agree that the increases are within the rate caps, where applicable, adopted by the Commission in Docket No. 99A-540T. Further, the Parties agree not to oppose the following rate increases:

	Rate
Local Switching Rate Element- Switched Access	from \$0.012362 to \$0.013019
Directory listings	
Non-listed	from \$1.80 to \$2.00
Non-published	from \$2.50 to \$2.55
Basic business line service	\$0.17 increase
PBX trunks	\$1.10 increase

5. Qwest will implement the local calling area expansion only upon Commission approval of the rate increases identified in Paragraph 4. Qwest will negotiate an implementation

date with the other service providers in the proposed expanded local calling area and will inform the Commission of the proposed implementation date.

Qwest is legally bound by agreements with other service providers to provide a 120-day notification process for trunk rearrangement and augmentation. Because Qwest is the incumbent local exchange carrier, it is Qwest's responsibility to investigate each service provider's interconnection with Qwest and ultimately implement this expanded local calling area without disruption of service to both wholesale and retail customers of Qwest and other service providers.

6. Upon the filing of tariffs to effectuate the rate increases outlined in paragraph 4 above, Qwest will give notice of the proposed rate increases to its retail customers pursuant to § 40-3-104, C.R.S.

7. The parties agree that waiver of Commission Rule 723-2-17.3.6 which requires that a statistically valid survey be conducted by each local exchange provider whose customers will be affected by any proposed calling area expansion is appropriate for Nunn Telephone Company in this docket. They further agree that if this Stipulation and the associated Application for expanded local calling is approved by the Commission, the parties will support Nunn's compliance tariff filing offering its customers the option to elect an unlimited, flat rate calling plan for local calling into the expanded calling area for a flat rate of \$11.25 per month, which amount will be in addition to the Nunn current basic residential service rate of \$20.56 per month or in addition to the current basic business service rate of \$30.86 per month. It is understood that Nunn's current residential and business basic service rates will not change for those customers who do not elect to take the optional calling plan. It is further agreed that for those Nunn customers who do not take the optional calling plan, calling by such customers who make calls into the expanded local calling area will be billed at the rate of \$.11 per minute.

8. This Stipulation is a settlement of the disputed issues of fact and law in this docket, and is made for settlement purposes only. This Stipulation, together with the Partial Stipulation, fully resolves the contested issues in this proceeding. Except for settlement purposes in this docket, no Party concedes the validity or correctness of any regulatory principle or methodology directly or indirectly incorporated in this Stipulation. Furthermore, this Stipulation does not constitute an agreement, by any Party, that any principle or methodology contained within this Stipulation 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 Stipulation or a Commission order concerning this Stipulation, shall attach to any principle or methodology contained in this Stipulation.

9. Except as provided herein, the Parties agree to support all aspects of the stipulations and agreements embodied in this Stipulation in any hearing or proceeding conducted to determine whether the Commission should approve this Stipulation, 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 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 Stipulation. Furthermore, each Party represents that, except as expressly provided in this Stipulation, in any proceeding in which this Stipulation or its subject matter may be raised by a non-party, it will support the continued effectiveness of this Stipulation. Without prejudice to the foregoing, the Parties and each of them expressly reserve the right to advocate positions different from those stated in this Stipulation in any proceeding other than one necessary to enforce or obtain approval of this Stipulation or a Commission order concerning this

Stipulation. Nothing in this Stipulation shall constitute a waiver by the Parties or any of them with respect to any matter not specifically addressed in this Stipulation.

10. This Stipulation shall not become effective and shall be of no force and effect until the issuance of a final Commission order approving this Stipulation and not containing any material modification of this Stipulation that is deemed unacceptable by any of the Parties. In the event the Commission modifies this Stipulation in a manner unacceptable to any Party, that Party may withdraw from this Stipulation 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 Stipulation, this Stipulation 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.

11. In the event this Stipulation becomes null and void, or in the event the Commission does not approve this Stipulation, this Stipulation, as well as the negotiations and discussions undertaken in conjunction with this Stipulation, shall not be admissible into evidence in these or any other proceedings.

12. The Parties stipulate that they have reached this Stipulation by means of a negotiated process in the public interest and that the results reflected herein are just, reasonable, and in the public interest. The Parties agree that approval by the Commission of this Stipulation shall constitute a Commission determination that the stipulations and agreements contained herein are a just, equitable, and reasonable resolution of the issues described herein. The Parties agree to the specific waiver of any Commission rule identified in this Stipulation, and the waiver of any such additional Commission rule(s), to the extent necessary to implement or effectuate this Stipulation.

13. This Stipulation shall be construed, interpreted, and enforced in accordance with the laws of the State of Colorado.

14. This Stipulation is an 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.

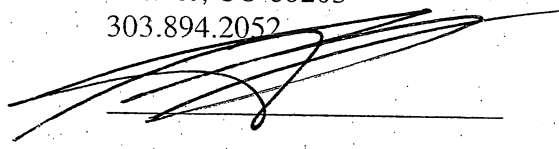
15. This Stipulation may be executed in separate counterparts, and the counterparts taken together shall constitute the whole of this Stipulation.

16. This Stipulation 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 Stipulation.

STIPULATED AND AGREED UPON this ___th day of January 2005.

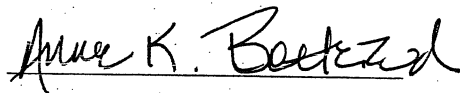
Staff of the Commission:

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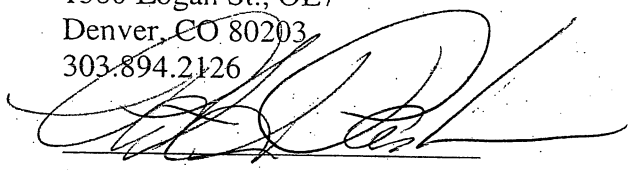
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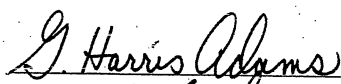
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