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BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
Chairman
JAMES M. IRVIN
Commissioner
WILLIAM MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner

IN THE MATTER OF QWEST COMMUNICATIONS INTERNATIONAL INC.'S, QWEST SERVICES CORPORATION'S, AND QWEST CORPORATION'S NOTICE OF SALE, REQUEST FOR WAIVER, OR APPLICATION FOR APPROVAL OF THE SALE OF THE ARIZONA OPERATIONS OF QWEST DEX, INC.	DOCKET No. T-01051B-02-0666 **JOINT NOTICE OF FILING SETTLEMENT AGREEMENT AND MOTION FOR PROCEDURAL ORDER**

The Arizona Corporation Commission Staff ("Staff") and Qwest Corporation, Qwest Services Corporation and Qwest Communications International (collectively "Qwest") hereby file their Stipulation dated April 10, 2003 providing for the settlement of this docket between those parties and request that the Administrative Law Judge set a procedural schedule for a hearing on this settlement incorporating the schedule set forth in this Notice and Motion.

Staff and Qwest have engaged in negotiations to reach a settlement of this docket culminating in an agreement dated April 10, 2003. Qwest and Staff provided the Stipulation to the Residential Utility Consumer Office ("RUCO") and the Department of Defense/Federal Executive Agencies ("DOD") on April 10, 2003. (RUCO had been informed of the terms of the settlement in late March when Staff and Qwest reached an agreement in principle). Neither RUCO nor DOD has informed Qwest and Staff whether they will join in the Stipulation. A copy of the Stipulation has been provided to the Buyer and was faxed to WorldCom on April 17, 2003.

Staff and Qwest believe that the Settlement represents a fair compromise and resolution of the issues raised in this docket and believe that the next appropriate procedural step is the setting of a hearing before the Administrative Law Judge concerning whether the Stipulation should be accepted by the Commission. Staff and Qwest propose the following schedule for that hearing:

April 28, 2003	Parties Supporting Stipulation File Testimony
May 2. 2003	Parties Opposing Stipulation File Testimony
May 6, 2003	Hearing on Stipulation

This proposed schedule will permit the parties to file testimony prior to the hearing. Further the hearing will be held on the date that has already been noticed to the public for the date of this hearing. The use of this schedule also avoids the need to postpone this proceeding until June because it is Staff's and Qwest's understanding that DOD's witness does not leave the country or become unavailable until May 19, 2003. Because the scope of the hearing will be limited to the Stipulation, the parties will have adequate time to prepare for that hearing .

DATED this 18th day of April, 2003.

ARIZONA CORPORATION COMMISSION

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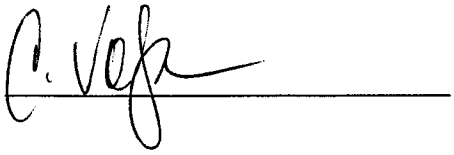

BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF QWEST COMMUNICATIONS INTERNATIONAL INC.'S, QWEST SERVICES CORPORATION'S, AND QWEST CORPORATION'S NOTICE OF SALE, REQUEST FOR WAIVER, OR APPLICATION FOR APPROVAL OF THE SALE OF THE ARIZONA OPERATIONS OF QWEST DEX, INC.	DOCKET No. T-01051B-02-0666 **STIPULATION**

Qwest Corporation ("Qwest") and the Staff of the Arizona Corporation Commission ("Staff") collectively the "Parties" and individually a "Party," stipulate as follows:

1. On August 19, 2002, Qwest Communications International Inc., together with Qwest Services Corporation and Qwest Dex, Inc. ("Dex"), entered into two agreements to sell Dex's directory publishing business to Dex Holdings, LLC ("Buyer"), an unaffiliated third party. The Rodney Purchase Agreement, the purchase agreement covering the proposed sale of Dex's Arizona assets and operations, is more fully described in Qwest's Application in this matter. By this Stipulation the Parties agree that the sale to Buyer of Dex, including without limitation the sale of the Arizona assets and operations of Dex in accordance with the terms of the Rodney Purchase Agreement pertaining to Arizona, (collectively the "Sale"), and in accordance with the terms and conditions of this Stipulation, is in the public interest and should be approved by the Arizona Corporation Commission (the "Commission") in an order (the "Order") without

conditions other than those set forth in this Stipulation.

2. This Stipulation, if approved by the Commission, is intended to supersede that certain Settlement Agreement dated May, 27, 1988 between The Mountain States Telephone and Telegraph Company (Qwest's predecessor) and the Commission Staff, as approved in ACC Decision No. 56020, dated June 13, 1988, which provided, among other things, for $43 million of annual imputed directory revenues. This Stipulation increases that amount by $29 million, to $72 million annually.

3. Contingent on: (1) the Commission approving and adopting this Stipulation; (2) the Commission approving Qwest's Application for transfer of the Dex assets in this matter; and (3) the Sale being completed, Staff and Qwest agree that, in the event of a Qwest [hereinafter "Qwest" includes any Qwest Corporation successor] rate case, earnings or Price Cap review or other rate proceeding commenced at any time within the 15-year period defined below, the amount of annual directory revenues imputed to Qwest and included in determining Qwest's test year operating income shall be $72,000,000 (SEVENTY TWO MILLION DOLLARS). The 15-year period shall begin on the date when Qwest submits its first Price Cap Plan review filing pursuant to the Settlement Agreement in Docket No. T-0105B-99-0105 and paragraph 6(b) of Attachment A of the Price Cap Plan, as approved in Decision No. 63487. To illustrate, if Qwest makes its first Price Cap Plan review filing as anticipated on July 1, 2003, the 15-year period would begin on July 1, 2003, and end on July 1, 2018. In that event, in any Qwest rate case, earnings or Price Cap review or other rate proceeding commenced between July 1, 2003 and July 1, 2018, the amount of annual directory revenues imputed to Qwest in determining Qwest's test year operating income would be $72,000,000 (SEVENTY TWO MILLION DOLLARS), and any such filing would reflect this imputation amount. Any Basket Price Cap adjustments, Index Adjustments, and/or individual rate adjustments resulting from this Stipulation and the review, modification or renewal of the Price Plan pursuant to paragraph 6 of the Plan shall be subject to modification and approval by the Commission. In addition, this Stipulated $72,000,000

(SEVENTY TWO MILLION DOLLARS) directory revenue imputation value shall be included within all reporting to the Commission of Qwest's Arizona intrastate earnings or intrastate rate of return during the 15-year period defined above. No party to this Stipulation shall advocate, or make any arguments in any rate case or earnings or Price Cap review or other rate proceeding within this 15-year period that this amount be increased or decreased.

4. As described in Paragraph 3 above, the increase in the imputation from its current level of $43,000,000 (FORTY THREE MILLION DOLLARS) TO $72,000,000 (SEVENTY TWO MILLION DOLLARS) is contingent on (1) the Commission approving and adopting this Stipulation; (2) the Commission approving Qwest's Application for transfer of the Dex assets in this matter; and (3) the Sale being completed. So long as these contingencies have been satisfied, or remain open, at the time Qwest makes its first Price Cap Plan review filing pursuant to paragraph 6(b) of Attachment A, that filing shall include the $72,000,000 (SEVENTY TWO MILLION DOLLAR) imputation amount. In the event that Qwest makes its first Price Cap Plan review filing reflecting the $72,000,000 (SEVENTY TWO MILLION DOLLAR) imputation amount, and subsequently one or more of these contingencies is not satisfied (e.g., the Commission does not approve and adopt this Stipulation, the Commission does not approve the Application for transfer of the Dex assets in this Matter, or the Sale does not Close), then Qwest shall make a revised filing pursuant to paragraph 6(b) of the Price Cap Plan, consistent with the 1988 Settlement Agreement. In order to satisfy the three contingencies set forth above, the Commission Order approving and adopting this Stipulation and approving Qwest's Application for transfer of the Dex assets in this Matter must be issued no later than September 30, 2003; and the Sale must be completed by December 31, 2003. Any Order of the Commission approving and adopting this Stipulation and approving Qwest's Application for transfer of the Dex assets in this Matter may require, as a condition of approval, that the Sale be completed by December 31, 2003.

5. The parties intend and agree that the practice of imputing directory revenues to Qwest in rate cases or other rate proceedings shall cease for any proceedings which commence

after the end of this previously-defined 15-year period.

6. Except as specifically provided in this Stipulation, no Party shall advocate or otherwise argue in this docket, or in any future matter or docket, that customers of Qwest are entitled to any other compensation or any other benefit arising out of or connected in anyway with the current directory publishing operations of Dex or the Sale. This Stipulation is intended only to address the financial issues related to this transaction and nothing contained in this Stipulation is intended to, or shall result in any change to the provision of listings and directories of listings to customers of Qwest or to Commission Rules and Regulations regarding same. Qwest also agrees to continue to insert any specific language and rates in its directories, including information in languages other than English where previously required by the Commission.

7. This Stipulation is a compromise of disputed claims and positions. By entering into this Stipulation, Qwest shall not be deemed to have waived any of its positions on any issue related to the Sale in any state other than Arizona and as specifically provided herein.

8. Except to the extent expressly stated in this Stipulation, nothing in this Stipulation or in the Order shall be: (a) cited or construed as precedent for or indicative of a Party's position on an issue resolved pursuant to this Stipulation; or (b) asserted or construed to mean that a Party has agreed with, acknowledged the validity of or adopted another Party's legal or factual assertions in this or any other proceeding, including those before the Commission, the state courts of Arizona or of any other state, the federal courts of the United States, or the Federal Communications Commission. This Stipulation shall not be used by any Party in any other proceeding, by way of illustration or as evidence in support of its advocacy, provided that any Party may comply with appropriate legal process. The limitation in this paragraph shall not apply to any proceeding to enforce the terms of this Stipulation or Order.

9. Each of the Parties reserves the right to withdraw from and decline to support this Stipulation and the right to advocate or support positions different than those set forth in this Stipulation in the event the Commission rejects all or any material portion of the Stipulation or

requires any different or additional material conditions to the Sale other than as provided in this Stipulation. If any Party withdraws from or declines to support this Stipulation as permitted herein, this Stipulation shall be deemed null and void as to all Parties, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's decision making such material changes to this Stipulation and take such other steps as it deems appropriate.

10. The Parties acknowledge that this Stipulation is the product of negotiation and compromise and that no term or provision of this Stipulation shall be construed against or in favor of any Party on the basis that a particular Party was the drafter of any or all of this Stipulation.

11. This Stipulation constitutes the Parties' entire agreement on all matters set forth herein and supersedes any and all prior oral and written understandings or agreements on such matters that previously existed or occurred in this proceeding. No such prior understanding or agreement or related representation shall be relied upon by any of the Parties.

12. Each Party shall take all actions necessary and appropriate to enable it to carry out this Stipulation, including, supporting the approval by the Commission of the Stipulation and not supporting, directly or indirectly, any petition for review, rehearing or reconsideration of the Order or any appeal of or challenge to the Order. No Party shall take any position in this docket that is inconsistent in any manner with any term or provision of this Stipulation.

DATED this 10th day of April, 2003.

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