

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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| In the Matter of Qwest's Request for |) | |
| Exemption from R746-600-1 to |) | <u>DOCKET NO. 06-049-44</u> |
| Discontinue Funding Post Retirement |) | |
| Benefits Other Than Pensions (BPOPs) |) | <u>REPORT AND ORDER</u> |
| |) | |

ISSUED: July 18, 2006

SYNOPSIS

The Commission grants the request of Qwest to discontinue depositing cash into a Voluntary Employees Beneficiary Association trust equal to expense accruals for post-retirement benefits such as healthcare and life insurance coverage.

By The Commission:

On March 30, 2006, Qwest Corporation (Qwest) requested exemption from Commission Rule 600-1 et seq. (Utah Administrative Code R746-600-1 et seq.), which requires utilities with more than 500 employees to fund certain post-retirement benefits other than pensions (PBOPs). Qwest asks that it no longer be required to provide funding for a Voluntary Employees Beneficiary Association trust equal to the expense accruals for PBOPs such as healthcare and life insurance coverage. Qwest characterizes the funding requirements as arising from prior rate-of-return regulation concerns that expenses included in a utility's cost of service and recovered in rates paid by customers actually be used to provide PBOPs. Qwest now asserts that the requirements are unnecessary in today's telecommunications markets and impose additional costs and burdens on Qwest which its competitors do not face. (The Commission has granted competing local exchange carriers exemptions from the rule, when granting these carriers their certificates to operate in the State of Utah.) Qwest further asserts that compliance

with the rule is no longer consistent with Utah's regulatory regime applicable to the telecommunications carriers with which it competes. But for the limited number of rural, independent telephone companies (with which Qwest does not generally compete), public telecommunications carriers are not regulated on a rate-of-return basis and the Commission no longer exercises rate-making authority to set their rates or charges for services offered.

On June 30, 2006, the Division of Public Utilities (DPU) submitted its Memorandum addressing Qwest's requested exemption. The DPU agrees with the rationales underlying Qwest's request and recommends that the Commission grant the exemption. No other responses to the March 30, 2006, exemption request has been submitted. Pursuant to Utah Administrative Rule 746-110 and Utah Code 63-46b-5, the Commission converts this matter to an informal proceeding and will issue an order granting the exemption without a hearing, which order will become effective 20 days after issuance of the order. Based upon the information presented and the arguments made, the Commission concludes that granting the exemption is warranted. In today's public telecommunications market, requiring Qwest to comply with the rule, while its competitors do not, no longer furthers the public interest sought by the rule.

Wherefore, the Commission enters this ORDER, whereby we:

1. Convert this matter to an informal proceeding and proceed without hearing to consider Qwest Corporation's request for an exemption from Rule 746-600 et seq.
2. Grant Qwest Corporation's request for exemption from Rule 746-600 et seq.
3. Any person may file a protest to this Order and if the Commission finds such protest to be meritorious, the effective date of this order will be suspended pending further proceedings. If

DOCKET NO. 06-049-44

-3-

no meritorious protest is filed, this Order will become effective and final, without further Commission action, 20 days following its issuance.

Agency Review and Judicial Appeal

Pursuant to Utah Code 63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the order becomes final. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code 63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 18th day of July, 2006.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#49707