This significant decrease in access costs can be expected to stimulate demand for access services, and this effect must be anticipated and accounted for in determining the specific switching rate. USWC proposed no elasticity or "stimulation" adjustment, arguing that it could not be sure that interexchange carriers would pass the reduction through in retail rates. USWC apparently does not disagree with the idea that if retail rates are reduced, its access demand and revenues will increase. Its position against an elasticity adjustment would require one to accept the idea that interexchange carriers will pocket the entire reduction in access costs. In fact, while the reduction in retail rates could be greater or less than the access charge reduction, the most reasonable conclusion in a competitive market is that the full reduction will be reflected in retail rates. An appropriate long-run elasticity value should be used, based on the effect of reduced access charges on the retail rate for toll services (Ex. 380-TC, p. 70). The elasticity adjustment should be calculated on that basis.

5. Transport

In deferring the local transport restructure from the interconnection case to this case, the Commission had hoped for a more thorough discussion from USWC regarding how to align rates among transport services. Instead, USWC acknowledges in its brief that it has proposed the same levels of transport charges that the Commission rejected in the Interconnection order. That order said that the ratio between DS1 and DS3 should be no lower than the ratio of their TSLRICs. USWC contends that their proposed rates is equal to the lowest ratio of USWC's Seattle-area competitors whose rates have ratios below that of their TSLRICs, providing proof that a ratio below TSLRIC but no lower than USWC filed rates will not hurt small interexchange carriers. Ex. 556-C.

The Company did not attempt to verify whether small interexchange carriers were, in fact, purchasing service from these competitive access providers. Thus, the Commission cannot find whether such rates are proof that a similar ratio for USWC rates will not cause harm or be anticompetitive. On the contrary, there is extensive evidence in this record and noted in the Interconnection order demonstrating the discriminatory potential of transport rates that do not reflect a proper ratio between DS0, DS1 and DS3 See, the Interconnection order at page 81.

Commission Staff contends that the Company needs to comply with the interconnection order regarding pricing of transport by pricing transport services so that they maintain a ratio between their rates that is at least equivalent to the ratio of their respective TSLRICs. In the absence of any further evidence or argument elucidating this matter, the Commission reaffirms its prior decision.

AT&T cites revised USWC data on historical demand that shows USWC revenues for transport would increase 30% over what the Company originally estimated (compare Ex. 553, p. 3 with Ex. 563, p. 3). AT&T argues that the rates styled "illustrative" by USWC in Ex. 565 should be adopted.

Sprint expressed concern that customers of tandem switching should not be required to cover overheads above that which is paid by customers using direct trunked transport. The Commission agrees that local transport restructure should treat equally efficient competitors neutrally, regardless of their size.

Elsewhere in this Order the Commission directs USWC to set its private line rates so that DS-1 and DS-3 mileage rates reflect the ratio of their underlying incremental costs. The Commission also is rejecting USWC's proposal to decrease voice-grade private line mileage rates. USWC's proposed rates for tandem switched transport, entrance facilities, and multiplexers appear reasonable and are not opposed by other parties. The Commission believes that, with that restructure, the rates for dedicated access service provide a reasonable basis for dedicated trunked transport access service.[62]

6. Equal Access Charge

USWC proposes to eliminate its equal access charge and to recover the revenue in the RIC. AT&T argues that the equal access charge is not cost-based, has been eliminated from USWC's interstate tariff, and would be recovered from access charges in about one week of growth in revenues at the annual average rate of 10%. The Commission so finds, and concludes that there is no longer a need for an equal access charge

[62] Commission determined in the interconnection case that rates for dedicated access service and the dedicated transport component of switched access service did not have to be priced equally. Fourth Supplemental Order, UT-941464. Given the similarity in these services, however, it is desirable to price them on the same basis if conditions permit, and in this instance they do.

7. Zones

The Company proposes to establish zone pricing for the Carrier Common Line Charge, the RIC, and local switching in addition to local exchange service. It argues that the proposal reflects costs, but that cost differences are not essential to pricing differences, and competitive conditions have been recognized historically as appropriate factors in regulatory pricing.

Commission Staff and MCI contend that USWC did not show a cost difference between its urban and rural zones, but merely made a general assertion that costs of serving average customers are lower in urban areas. Staff argued that with switches being priced on a linear basis, there is no reason to believe that a cost basis exists to deaverage switching rates or the contribution elements of access. USWC did not attempt to make an argument that zone pricing was cost based but rather in response to competition. To sustain such an argument, USWC would need to show that its competitors can underprice its switching service in particular areas, and it has provided no evidence on that point.

The Commission rejects zone pricing for switched access charges, for the reasons stated in rejecting other applications of the Company's zone proposal. Neither cost differences nor competition differences justify this rate structure.

8. Revenue Impact

The rate structure approved by the Commission will result in an initial reduction of $22.0 million in switched access charges paid by IXCs and a reduction of $7.3 million in switched access charges paid by independent LECs. The total ultimate revenue effect, including the reductions that will coincide with terminal loops phase-in, is a reduction of about $39.3 million.

VII. Dedicated Services

A & B. Private Line/Terminal Loops, Analog/Digital

USWC proposes extensive revisions to its analog and digital private line service rates. The analog network access channel (NAC) rate would increase, channel performance and mileage rates would decrease, terminal loops and remote control office services would be grandfathered and eventually discontinued, non-recurring charges would be increased, and digital private line service would be restructured.

These proposals, along with changes proposed by Staff and TRACER, must be considered in context of USWC's overall dedicated service offering, as well as similar services that are provided under USWC's switched access and basic exchange tariffs. We will discuss each element of these proposed changes separately.

1. Network Access Channel (NAC)

NAC rates are currently at $9.00 for a two-wire circuit and $18.00 for a four-wire circuit. USWC proposes increases of $2 and $4, respectively. Staff and TRACER had proposed decreases of the same amounts as a way to offset the increase in revenues as term loop service is merged with private line service.

At the rates proposed by Staff and TRACER, the NAC service would be priced below the incremental cost of an unbundled loop, which is about $8.96 (Ex. 765-T, p. 4). Overall, the level of contribution from analog private line services falls short of that from digital private line services. On this basis, rather than USWC's asserted need for additional revenues, the increases proposed by USWC should be approved.

2. Channel Performance and Mileage Charges

Rates for channel performance features should be reduced as proposed by TRACER. USWC has failed to provide adequate estimates of the cost of channel performance on a least-cost basis, but it appears that these services are priced sufficiently in excess of cost that the price reduction proposed by TRACER for these elements is warranted.

Both TRACER and USWC proposed lower mileage charges. TRACER would reduce mileage charges to match those for E-911 service That service does not provide an appropriate basis for private line transport rates. USWC proposed a smaller reduction, but the contribution from these mileage rates already is lower than the contribution from DS-1 and DS-3 mileage charges. No change in these mileage charges is warranted.

3. Terminal Loops

The Commission's decision in the Terminal Loops case to bring term loop rates into line with private line rates should be implemented in this case. No party objected to this alignment. This will align rates for similar services and correct the problem that term loop service currently is priced below its cost. Rates for term loops customers will more than double as a result of this change. USWC proposed to phase in the increase. Rates would move immediately about one-third of the way toward private line rates, and the remaining gap would be closed in 1997 and 1998. This phase-in is appropriate to provide a needed transition time for term loops customers.

4. Digital Private Line Service

The Commission accepts USWC's proposal to combine Digicom I and Digicom II into one service. This change will provide a higher level of service for current Digicom I customers and reduce rates for Digicom II customers NAC and channel performance elements

will be bundled into a single channel termination service. USWC may provide discounts for customers who sign long-term contracts, as is already done for higher-speed digital services.

However, the rate increases that USWC proposed for channel termination at lower speeds are rejected. As Commission Staff points out, the proposed increases were based on USWC's asserted need for an overall revenue increase. The services already are priced above cost and those prices should not be increased. The current Digicom I rates should apply to the new Digital Data Service.

5. Non-recurring Charges

The restructure of private line non-recurring charges should be implemented as proposed by USWC. Some current charges are below cost, and this restructure will eliminate that problem. This restructure is the second step of the revision to non-recurring charges begun last year. Both Commission Staff and TRACER support USWC's proposal.

C. DS-1/DS-3

Many parties argued DS1 and DS3 issues in the Switched Access Transport section, above. As discussed in that section, USWC never revised its DS-1/DS-3 pricing ratio to conform to the Commission's guideline to adopt, at a minimum, a TSLRIC-based ratio. USWC rates should at a minimum reflect this ratio. Currently, the markup over TSLRIC is lower for DS-3 service than for DS-1 service. Staff proposed increasing the DS-3 mileage charges to achieve the proper relationship to DS-1 charges. TRACER would correct the price disparity by lowering the DS-1 charge.

Achieving this relationship requires either an increase in the DS-3 rate, as Staff proposed, or a decrease in the DS-1 rate, or a combination of the two. TRACER makes a persuasive argument, especially in light of the revenue requirement of this case and the overall high levels of contribution from high-capacity private line services, that the better approach is to lower the DS-1 rate. Mileage rates for DS-1 transport should be lowered as proposed by TRACER.

D. Revenue Impact

The revenue effect of these changes depends on the price elasticity for private line services. Commission Staff and TRACER expressed concern that the Company failed to assess repression properly. To estimate repression from the term loops increase, USWC used data from restructuring terminal loops in Oregon, and it argues that this is the only study available in the proceeding. USWC argues that this study measures the long-term impact of the rate increase.[63]

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[63] We note that USWC supports a short-run elasticity factor in calculating the stimulation in demand from the reduction in toll rates. The combination of a long-run value for rate increases

DIS and TRACER challenge the repression analysis because it reflects data over several years, different from the price elasticity estimates that the Company uses with other services. Data in the Term Loops case, they contend, indicate that the number of term loops sold in Oregon changed for many reasons, not only price. Finally, they contend that the repression analysis does not recognize offsetting revenues that USWC can expect to receive as term loop customers switch from one USWC service to another. Thus, they argue, the Commission should assume no repression if it must increase net revenues from private line and terminal loop service.

The Commission agrees that USWC's repression estimate for the term loops increase is unreasonably high. The Company's proffered term loops repression value is theoretically and empirically unsound. The Commission notes that, while USWC was using an unreasonably high elasticity value to estimate term loops repression, it assumed no elasticity effect from the rate decreases it proposed for digital private line service. Assuming zero price elasticity is equally unsound. While both assumptions are unsound, each works to USWC's advantage by understating its revenues.

The Commission is concerned that assuming no price elasticity would be both inaccurate and unfair to USWC, since it would produce a higher revenue estimate than it is reasonably likely to obtain. TRACER witness, Dr. Zepp, used an elasticity value of -.25 in calculating the revenue effect of his proposed change in DS-1 rates.[64] That estimate is the most reasonable and accurate available estimate of price elasticity for private line services and should be used for all stimulation and repression estimates relating to the private line rate changes discussed in this section.

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and a short-run value for rate decreases is both inconsistent and works to USWC's advantage by understating its revenue levels. A long-run value should be used in both situations, though the particular value may be different for different services.

[64] Dr. Zepp did not calculate elasticity effects for his proposed changes in analog private line rates. His overall proposal was revenue neutral, and the elasticity effects would have been approximately offsetting.

The revenue effects, with elasticity effects as discussed above, are as follows:

Increase analog private line NAC rates; reduce channel performance rates	$0.8 million
Align term loops rates with analog private line rates	$7.5 million
Merge digital data services at Digicom I rates	($0.5 million)
Restructure non-recurring charges	$0.8 million
Reduce DS-1 mileage rates	($1.5 million)
Total revenue effect	$7.2 million

VIII. Other Issues

A. Pay Phones

The Northwest Pay Phone Association (NWPPA) participated in this proceeding, addressing issues related to the Company's provisioning of customers' and its own pay phone services.

NWPPA's principal issue is whether the difference between USWC's retail pay phone rate of 25¢ and the rate it charges independent pay phone providers for an access line creates a price squeeze. USWC has produced updated imputation analysis that it contends will show that USWC's proposed Public Access Line or PAL rate (equal to the proposed business rate) passes the imputation test established by the Commission. USWC says its analysis is conservative because the actual compensation costs by USWC was 7 percent less than that budgeted in the cost study. No party other than the Northwest Payphone Association challenged this imputation test.

The NWPPA argues that USWC has submitted multiple conflicting imputation studies and has tried to change the imputation method approved by the Commission in UT-920174, which was decided on reconsideration last summer and is now on appeal by USWC. NWPPA's cost studies show that the coin phone rate would have to be more than 30¢ to avoid a price squeeze at the proposed PAL rate.[65] The NWPPA argues that the Commission should set the PAL rate at USWC's TSLRIC. USWC contends that Sec. 276 of the Telecom Act preempts Commission action.

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[65] The main points of contention in the cost studies appear to be (1) call volumes and (2) costs of the new "smart" Millennium sets. USWC uses higher call volumes based on very recent data. NWPPA argues that the recent data are not representative and that USWC has not reflected higher costs that would be incurred at these higher call volumes. The Millennium set costs include capability to handle credit cards, and USWC says the revenue from use of that feature should be deducted from the cost of the set in order to compare local revenues with local costs.

The Commission rejects the NWPPA challenge. The average PAL rate is lower as a result of this order than it was as a result of the earlier imputation docket, which found no price squeeze at the then-current business line rate. Thus, for a price squeeze to exist now, it would have to be the case that USWC's costs have increased. There is no good evidence to support such a finding. USWC is installing more expensive and more sophisticated terminal equipment, but not because "smart sets" are needed to provide local pay phone service. The additional cost of these sets can be justified only because of the toll revenues or savings in toll-related expenses that they will produce and their cost is not shown to be relevant to the imputation test for local pay phone service. We reject USWC's assertion that all pay phone issues are immediately preempted by the Telecom Act and find that we have jurisdiction to make this ruling, at least prior to the FCC's adoption of relevant rules. Telecom Act, Sec. 276(a).

B. Resale

The Commission said in the Interconnection case order[66] that any general prohibition on resale of services should be eliminated and that eliminating resale restrictions should occur in the general rate case. The federal Telecommunications Act now also prohibits local telephone companies from restricting the resale of their services.

AT&T argues that USWC enjoys cost savings when it sells high volumes of services and that to prohibit resale would stifle competition. It urges that resale prohibitions should be excised from every USWC tariff on file with the Commission. AT&T also argues that the tariffs should provide for specific resale rates below the retail level. The discount should reflect "TSLRIC cost savings as a result of wholesale service provision." AT&T cites Section 252(d)(3) of the federal Telecommunications Act as requiring a wholesale rate no greater than the retail rate minus costs attributable to any marketing, billing, collection, and other costs that would be avoided by the local exchange carrier.

AT&T argues that the appropriate discount is 33%. This figure is based on embedded cost data, because AT&T says it did not have access to incremental cost data for USWC. The Tennessee Commission adopted a 25% discount.

Commission Staff concurs in the need to permit resale of services, with the exceptions that residential service should not be resold to business customers and that local call termination may not be used to deliver toll traffic. It urges the Commission to require resale at wholesale tariffs reflecting the avoided costs of the incumbent's retail operations. Staff does not address the question of what discount, if any, should apply.

USWC notes the federal requirement for resale and argues that the Commission should rebalance rates "so that resale is not a financial disaster for USWC." USWC does not address the question of what discount, if any, should apply.

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[66] UT-941464, Sixth Supplemental Order, p. 19

The Commission has in this Order granted many of USWC's requests regarding restructure. It believes that properly priced resale will not be financially harmful to USWC, as USWC fears, as it will be priced above cost and therefore result in contribution.

MCI argued that the discount from retail should be sufficient to permit a feasible margin for entrants. The Commission disagrees. Our concerns are that the sale is above the Company's TSLRIC and that it is net of avoided costs. There can be no guarantee that the result is a financially feasible, stand-alone resale opportunity for entrants.

The Commission finds it somewhat troublesome that the issue of resale was not more adequately developed on the record of this proceeding, although it understands the massive effort expended by all parties. It is clear that the record is insufficient to set a standard discount rate. It is also clear that federal law as well as the Commission requires that resale be permitted. The Commission will order the following

When it refiles tariffs under the terms of this order, the Company must refile all of its now-restricted tariffs without any resale restriction. Doing so will comply with the Commission's order and the federal statute. Concurrently, it shall file a general resale tariff stating that resale shall be otherwise permitted at the tariff rate, less the Company's avoided costs for the service to be resold, upon a service-specific tariff to be filed upon the request of a potential reseller. The resale tariff may provide for reasonable financial security and shall provide that services may not be resold out of class.

While not entirely satisfactory, this approach will allow resale discussions to begin immediately and will permit the filing of specific tariffs for specific services. As time goes by, it may be feasible to designate an appropriate general resale discount or to develop specific cost studies for individual services to be resold.

IX. Other Services

A. Directory Assistance (DA)

USWC proposes an allotment of one free call allowance for each local exchange customer, and to increase the price of each subsequent call from $.25 to $.60. This brings the price well above costs, the Company says, and will not affect the more than 60% of all customers who never use directory assistance. USWC notes that competitors charge amounts higher than the rates USWC proposes. The Company argues that this increase is justified because the cost study reflects issues raised by the Commission, and there is a major new DA competitor.

Public Counsel/AARP, Commission Staff, TRACER and DIS recommend a two-call allowance, with additional calls charged at $.35 per call. Staff points to the Fourth Supplemental Order in the Term Loops matter, Docket No. UT-930957, in which the Commission authorized that rate but the Company refused it for reasons of revenue neutrality.

Commission Staff contends there are flaws in the Company's cost study and that USWC also cited a new competitor when it previously sought a DA increase. TRACER & DIS also recommend adopting the terms and conditions found reasonable in the Term Loops case, as well as using the Staff's updated estimate of the revenue impact, including contract revenues, which total $7.78 million.

The Commission rejects the Company proposal. We find that there is no evidence of cost or market change since the time of the prior order and believe its selection continues to have validity. The Company will be directed to reduce the no-charge call allowance to two calls and to increase the per-call charge to 35¢. The Commission also adopts the terms and conditions associated with the authority granted in the Term Loops order and it accepts the Commission Staff updated revenue estimates as most accurate

B. Late Payment Charge (LPC)

USWC proposes a 1.2% charge on monthly past due balances above $45. The projected revenue impact is $4.7 million. Commission Staff opposes the proposal. It professes no inherent opposition to late charges, noting that other utilities use them, but contending that it opposes the charge because there are specific problems with the proposal.

USWC responds that Commission Staff's opposition is based on mere technical arguments and fails to explain why a late payment charge is not acceptable for USWC even though the Commission has approved one for Puget Power, and USWC's competitors apply late payment charges. WITA supports the proposal, calling it good business practice and consistent with the Commission's actions in applying a late payment charge to regulatory fees.

Commission Staff's "technical" arguments include the absence of cost justification and the possibility that applying a late charge on the lump sum of the bill will violate Commission rules. Staff proposes rejection until the Company complies with Staff's recommendations, including basing the charge on costs incurred by the Company; limiting the charge to regulated services; applying the charge only to local service billed in advance, applied 60 days after initial bill date; and providing procedures for medical emergency exceptions and for customers to establish a preferred payment date. (Ex. 797-T, 17-18).

Public Counsel/AARP support the late payment charge in concept, but oppose details of this proposal. They contend that the LPC should be adopted only if USWC applies the LPC to the Company's services only; the interest rate equals the Company's authorized return, and revenues are adjusted for the impact on working capital

The Commission finds that the Company's is correct that a late payment charge is a reasonable way to recover costs imposed upon the Company and other ratepayers by persons

whose payments are not timely. It rejects this proposal, however, it finds credible the concerns raised by parties, particularly Commission Staff. The Company may refile at a later time if it considers Commission Staff suggestions. The Puget Power late charge provision should be considered as a starting point. Charges may not be applied to fees billed for third parties unless the Company can demonstrate costs incurred thereby. The rate of the charge may be comparable to that allowed Puget Power. The charge may not be applied to bills for local service until the local service portion is past due for the required period. The Company should also allow customers to establish a preferred billing date during the month.

There is no revenue requirement requiring an immediate refiling of this proposal. The Commission will not require or authorize its refiling as a compliance item in this proceeding, but the Company may file for such a change at a later date.

C. Operator Surcharges

USWC proposes changes that provide consistency between rates for toll and local operator surcharges and which have an annual revenue effect of approximately $1.8 million. Public Counsel/AARP oppose these rate increases because they condone oligopoly pricing and discriminate in favor of USWC's "best deal" customers (Ex. 420-T, pp. 144-45)

The Commission rejects the Company proposal. There is no revenue need for the proposal, and it is not shown to be cost-based. The service appears to provide a reasonable level of contribution based on current rates. There appears to be no need for the increase, and there is no indication of any reason why interstate rates should be appropriate for intrastate services.

D. Listing Services

1 & 2. Residential and Business

USWC proposes to increase its monthly charges for nonlisted and nonpublished numbers[67] by 25¢ per month and to increase the non-recurring charge for each by $1. It also proposes to increase the Joint User Fee for business directory listings on resold Centrex lines. The Company responds that its current rates for these services are among the lowest in its region. The revenue effect is $6.5 million, net of repression.

DIS opposes this rate increase for it moves rates away from costs. Metronet argues that the Company's proposal to increase the Joint User Fee is unsupported by any evidence; is priced considerably above cost; and is discriminatory. Metronet argues for a lower rate set at LRIC or LRIC plus 10 to 20 percent

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[67] Nonpublished numbers do not appear in the directory but are available through directory assistance. Nonlisted numbers are not in the directory and are not available through directory assistance.

Public Counsel/AARP take issue with the proposed increases for non-listed and non-published numbers because they do not respect the legitimate privacy interests of customers.

The Commission rejects these requests. There is no cost justification for the proposals, and there is no unmet revenue requirement that would support a more general increase in rates and charges. We are also sensitive to the need of many persons for privacy for their own personal safety and to the possibility that the need may occur at all income levels.

E. Custom Calling

USWC proposes an increase in custom calling services, contending that it is appropriate because these services are perceived by customers as value added, discretionary services. Higher rates have been approved in other jurisdictions, says USWC, and this increase will enable USWC to provide its multi-state customers standard rates.

Commission Staff urges rejection of the increases because they have not been justified by any cost evidence. Public Counsel/AARP notes that these services are above cost at present rates but suggests that increases can be allowed if needed to meet revenue requirement.

The Commission rejects the proposal because there is no cost justification and because there is no revenue requirement that need be filled.

F. Centrex

USWC proposes offsetting any NAC rate increase with a decrease in the Centrex feature package price. Commission Staff's arguments are presented above in conjunction with our discussion of proposed changes to PBX, NACs and Centrex NARs.

Metronet contends that the Company proposal fails to meet the terms or the goals of the Centrex Plus order, that contemplate movement toward unbundling and nondiscriminatory treatment. It urges that no cost support has been produced for the discriminatory treatment. Pricing elements separately but requiring joint purchase is not unbundling. Metronet contends that USWC's actions violate the public service laws (RCW 80.36.150(5)); federal law, and the Centrex Plus order The only excuse for such behavior, it argues, is to prevent arbitrage and protect services from competition.

Metronet reminds the Commission that it recognized the role of resellers and rebillers in the Centrex Plus case and that the Commission has identified the need to unbundle the NAC from the pricing of the feature package It urges that this case offers the Commission the opportunity to enforce the parts of the order with which USWC is not now complying. In particular, Metronet contends, USWC should eliminate the location pricing structure that discriminates against resellers and it should unbundle elements of the Centrex Plus service. The result of location pricing and bundling is that USWC charges Metronet up to two and one-half

times as much as it charges other similarly situated single customers. Metronet contends that, if the Commission accepts USWC's and staff's recommendations to lower business line rates before fully implementing the goals of the Centrex Plus Order, USWC competitors will likely be eliminated before a viable wholesale product exists for them. Under those proposals, Metronet contends that it would not break even charging the proposed rate until it had about 200 lines in a single central office. Metronet recommends revising the Centrex rate table to provide volume discounts based on the total number of NACs in the customer's system, regardless of location, and to revise the tariff to eliminate the requirement that the customer purchase a feature package for each NAC.

Enhanced Telemanagement, Inc. (ETI) argues that there is no need to relitigate the formula for aligning Centrex rates with private line NACs, NARs and PBX trunks. This formula is consistent with the Telecommunications Act's mandate to incumbents to offer resale of services. ETI contends that USWC's attempt to freeze Centrex service demonstrates that Centrex service is not competitive. It urges the Commission to reject USWC pricing proposals that would upset the existing Centrex Plus case formula.

TRACER and DIS believe the Commission should adhere to past orders where it found that the highest priced Centrex Plus station line should be set at the price of a private line NAC. The Commission should reduce the station lines to $7 (the private line NAC price proposed by DIS) and adjust the price of other Centrex Plus station lines accordingly. (Ex. 790-T, 7) The best available revenue impact estimate is a decrease of $11,405 supplied by Commission Staff.(Ex. 608)

The Commission finds that the existing arrangements are discriminatory and in practice they operate to benefit the Company. The Commission accepts Metronet's argument that it is high time for the Commission to order the Company to take the steps it encouraged the Company to take in the Centrex Plus compliance filing order.[68] The order and its predecessor[69] were clear in their terms and in their import. The Commission accepted a filing that fell short of perfection but enjoyed substantial agreement among most parties -- excluding Metronet -- and because it was a step in the direction ordered by the Commission. Now in this filing the Company has proposed measures that would regress from the imperfect arrangements now in effect.

The Company shall file tariffs effecting the unbundling of the Centrex elements, pricing the highest Centrex Plus station line at the private line NAC rate, and remove the station location requirement. Doing so is consistent not only with both of the Centrex Plus orders cited above but also with the federal requirement requiring resale and unbundling.

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[68] Sixth Supplemental Order, Docket Nos UT-911488, 911490 and 920252 (Dec. 1994)

[69] Fourth Supplemental Order, Docket Nos. UT-911488, 911490 and 920252 (Nov. 1993).

G. Unbundled Loop

USWC contends that this issue need not be addressed in light of the Interconnection order and upcoming FCC rules mandating unbundled service. Commission Staff notes that the interconnection order deals with the issues, but urges adoption of the Commission Staff cost study recommendation in Mr. Lundquist's testimony (Ex. 385-T, pp. 22-30).

AT&T urges that the Commission forestall needless wrangling by resolving the cost and pricing issues now, with unbundled loops provided to competitors at USWC's TSLRIC of $8.96. MCI contends that the Company's proposals are not sufficiently unbundled, and supports the availability of the link and port components of the local loop at rates based on TSLRIC.

The Commission will require the Company to refile an unbundled Centrex service tariff consistent with the discussion above. The Company may not require the purchase of one separately priced item as a condition to purchasing another.

As to non-Centrex matters, the Commission has suspended the effective date of the unbundled loop service tariff filed by USWC. This filing was purported to be in compliance with the Commission's Sixth Supplemental Order in the Docket No. UT-941464 et al. The Commission needs time to analyze the comments and USWC's response before deciding whether to accept or reject the tariff filings. Unbundled loops will be dealt with in that proceeding.

X. Ordered Rates/Rate Spread/Summary Table

The table below summarizes the rates and revenue effects of the rate spread decisions set out above. The revenue amounts in this table reflect the full effect of rate changes that are phased in over more than one year.

Summary Table
Commission Decisions on Rate Spread

Service	Rate	Revenue Effect
Residential exchange		
Flat-rated (1FR)	$10.50/month	none
Measured (1MR)	$7.35/month	385,000
Business exchange		
1FB, PAL, semi-pub, hotel	$25/month	(31,831,000)
DSS, Centrex NARs	$14/month	(4,596,000)
Hunting charge	$.05/month	(3,780,000)
Local exchange usage	2.5¢ 1st min., 1¢ add.	minimal
Toll services		
Message toll service		(26,913,000)
Optional calling plans		(5,355,000)
Switched access		(34,372,000)
Dedicated/private line services	$11/month NAC	7,169,000
Directory assistance	2 free, $.35 addnl.	7,782,000
Total		(91,511,000)

Based on the entire record and the file in this proceeding, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

Having discussed above in detail both the oral and the documentary evidence received in this proceeding concerning all material matters, and having stated the Commission's findings and conclusions upon contested issues and the Commission's reasons and bases therefor, the Commission now makes and enters the following summary of those facts. Those portions of the preceding detailed findings pertaining to the ultimate findings stated below are incorporated into the ultimate findings by reference.

1. The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, and transfers of public service companies including telecommunications companies.

2. US WEST Communications, Inc. (USWC or Company) is engaged in the business of furnishing telecommunication service to the public within the State of Washington.

3. On February 17, 1995, USWC filed with the Commission, under Advice No. 2617-T, revisions to its currently effective Tariffs WN U-30, -31,-32, with a stated effective date of March 21, 1995. The intended effect of the tariff revisions is an annual increase in the Company's revenue of approximately $95,301,836 for 1995 and additional annual increases of $22,602,847 for 1996; $46,785,542 for 1997; and $39,923,697 for 1998; the total annual revenue increase requested, phased in over a four year period, is approximately $204,613,922. The filing was assigned Docket No. UT-950200.

4. By order entered March 8, 1995, the Commission suspended the tariff filing in Docket No. UT-950200, instituted a Commission Staff investigation, and ordered that hearings be held on the reasonableness of the revisions.

5. USWC's customer service performance has deteriorated significantly since 1991. USWC at times has insufficient facilities available to serve customer requests for service. USWC is reducing its annual capital investment in Washington State. USWC has restructured its operations, reduced the number of customer service centers, and reduced the number of staff persons available to install and repair the company's telephone service. Many callers for repair service have spoken with Company staff in distant cities who were unable to resolve their problems or dispatch repair service effectively. Follow-up customer calls were routed to distant cities, often different from the location answering the initial trouble report, and Company personnel were unable to find records of the initial report. USWC is failing to meet installation commitments because of insufficient staffing, the retirement or other loss of staff, lack of knowledge of the extent and location of existing facilities, and internal communication difficulties. Customers are often not advised of anticipated changes to service appointments or the reason for delay and are not advised of realistic installation times. Specific installation requests for installation of residential, business, and commercial services are at times delayed for months. Consumers, including small and large businesses, have been left without service during periods of delay. The delays impose considerable costs upon the Company's existing and prospective customers and upon the economy of the State. Company representatives have repeatedly pledged that circumstances would improve, but performance has continued to worsen as measured by objective criteria.

6. Existing customer service reporting requirements are insufficient to track accurately the Company's performance. Customer service reporting requirements as described in the body of this Order will allow the Commission to track sufficiently the Company's performance. The "customer care package" that USWC voluntarily proposed offers some benefit to customers unable to receive service. With the modifications described in the body of this Order, it will offer an effective alternative to customers seeking but not able to receive service and will properly balance their interests and the public interest with the interests of the Company.

7. Team bonus awards and merit payments are tied to standards putting a primary emphasis on the Company's financial performance to the point where total failure to achieve customer service goals may be totally offset by superior Company financial performance.

Such standards fail to tie bonus payments clearly and directly to customer service goals and permit emphasis on financial performance to the exclusion of customer service. Allowing the Company to petition for adjustment via a modification of this Order, and to secure the difference as found in this order upon a showing that the standards for payment of the awards meet Commission requirements and a showing of substantially improved, stable customer service performance, will provide incentive to the Company to improve its customer service performance.

8. Setting the Company's authorized rate of return on equity at the low end of the reasonable range and allowing the Company to petition for adjustment via a modification of this Order, and to secure the difference as found in this order upon a showing of substantially improved, stable customer service performance, will provide incentive to the Company to improve its customer service performance.

9. USWC voluntarily stipulated as a condition of the merger of its predecessor, Pacific Northwest Bell Telephone Company (PNB), with two other companies into USWC, that the merger would have no effect upon the imputation of yellow page earnings. U S WEST Direct, a division of Marketing Resources Group (USWD), benefits substantially from its existing relationship with USWC and from the former integrated operation as a part of PNB. Yellow page classified advertising directory publication constitutes a former regulatory asset of the Company. Neither PNB nor USWC received compensation for transfer of directory publication to another entity and USWC receives no licensing fee for directory publication although it receives a small fee for basic subscriber information at the same rate it charges all directory companies for the information. USWD's relevant yellow page advertising excess revenues during the test year were imputed at $50,934,378 to USWC's net operating income.

10. The test period beginning November 1, 1993, and ending October 31, 1994, is an appropriate period to examine for the Company's results of operation and should be adopted as the test year

11. Adjustments to test year revenues, expenses, and rate base pursuant to findings and reasoning in the body of this Order will portray the Company's test year results of operation and rate base properly for regulatory purposes.

12. Test year net operating income after all adjustments is $204,749,579. The proper net-to-gross conversion factor is 1.565458 to derive the revenue needed to produce a given level of net operating income.

13. USWC's adjusted Washington intrastate rate base is $1,561,793,482.

14. The appropriate capital structure for USWC's Washington operation is 38.9% long term debt, 9.1% short term debt, and 52.0% equity. USWC's adjusted cost of long term debt is 7.57% and its cost of short term debt is 6.0%.

15. A rate of return in the range of 9.367% to 9.887% on USWC's rate base will maintain its credit and financial integrity and will enable it to acquire sufficient new capital at reasonable terms to meet its service requirements. Setting the authorized return at 9.367% with the opportunity to increase the authorization to 9.627% upon satisfactory resolution of customer service quality problems will provide incentive to USWC to improve its customer service quality. The appropriate overall rate of return for USWC is therefore 9.367%.

16. A surplus of $91.5 million exists in USWC's adjusted test-year revenues under the Company's presently-effective rates, based upon the findings of revenue, net operating income, conversion factor, rate base, capital structure and rate of return found appropriate herein.

17. The rates and charges for telecommunications service in USWC's existing tariff produce revenues and net operating income that exceed reasonable compensation for providing telecommunications service in the State of Washington and are not fair, just, or reasonable. Revisions of rates and charges made in accordance with the findings and instructions in this Order will yield a fair rate of return on USWC's rate base found proper herein, and if filed pursuant to the authorization herein will be fair, just, reasonable, and sufficient.

18. Costs of providing service are properly shown in a study of total service long run incremental costs (TSLRIC). The Company's cost studies do not appropriately measure the Company's incremental costs of providing service. Costs of the local loop are not properly included in the incremental cost of local exchange service. To achieve sufficient results for regulatory purposes, cost studies should use the latest previously approved depreciation rates; the latest approved rate of return; actual rather than objective fill factors; and actual required per-line wire pair requirements.

19. The Hatfield Model cost study identifies the Company's true costs of providing local exchange service more closely than the Company's study, and is sufficient for purposes of pricing local exchange service. USWC's cost study contains information that, when selected and adjusted as specified in this Order, is sufficient to provide a guide to the Company's costs for pricing purposes.

20. The Company did not demonstrate that it faces effective competition sufficient to constrain prices in any market for its regulated services. The Company did demonstrate that it may face such competition and that it requires additional flexibility to meet competition. That flexibility may be achieved by authorizing the filing of banded tariffs to comply with the terms of this order, provided sufficient protections are established to protect prospective competitors and the public interest.

21. For banded rate tariffs to offer effective protection to the public and to prospective competitors, they must be filed in compliance with the terms of this Order; must

identify a band whose ceiling is the rate specified in this Order and whose floor is no lower than the Company's TSLRIC cost of providing the service; must be subject to the Commission's continuing jurisdiction for study, review, evaluation and, in an appropriate reopening of this proceeding, such modification or termination as the Commission believes appropriate upon review of pertinent evidence; must show the initial rate as the rate established pursuant to this Order. To protect the public interest, any rate changes in a banded tariff must be made on no less than 10 days' notice to affected customers and the Commission and are subject to Commission complaint during that period, consistent with the terms of RCW 80.36.330. If the Commission complains against a rate change, the burden is on the Company to demonstrate that the rate is above its TSLRIC cost of providing service, and that it is fair, just, and reasonable, including that it is not anticompetitive.

22. The Company's public access line rate at the level directed in this Order does not impose a price squeeze upon independent pay phone providers.

23. The Company is required by federal law to provide its services for resale. The Company may comply with that requirement by refiling in compliance with this Order any tariff that now contains a resale restriction, without that restriction. The Company shall file a discrete general resale tariff providing 1) that it will file tariffs for sale for resale for specific services upon request; 2) that the wholesale rate shall be the existing retail tariff rate, less authorized avoided costs, and 3) that service may not be resold out of class. The tariff may provide for reasonable financial protections for the Company.

24. Centrex service tariffs that effect unbundling of the Centrex elements, price the highest-priced Centrex line at the level of the private line NAC, and remove the station location requirement will achieve the unbundling goals identified in prior Commission orders and will be fair, just, and reasonable.

CONCLUSIONS OF LAW

1. The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of this proceeding and all parties to this proceeding.

2. The test year adjusted results of operation and rate base herein found to be appropriate should be adopted for regulatory purposes

3. The tariff revisions filed by USWC in this proceeding should be rejected in their entirety. USWC should be directed to refile revisions that will effect a reduction in annual revenues of $91,511,013 consistent with instructions in the body of this Order.

4. USWC should be directed to improve customer service quality. The

Commission should order USWC to modify its customer care package as described in the body of this Order, and to require USWC to offer it until modification or termination is approved by the Commission. USWC should be ordered to initiate new customer reporting measures as specified in the body of this Order within 30 days of the date of this order. USWC should be authorized to earn at the low end of the appropriate rate of return on equity. USWC may petition in this Docket to have the rate of return restored to mid-range and to authorize the team and merit award adjustment upon USWC's satisfactory demonstration that its service quality has improved, as specified in the body of this Order.

5. The Company's cost studies should be rejected. The Hatfield Model cost study should be approved for use in this proceeding. USWC cost study information, selected and adjusted as provided in the body of this Order, provide information that is sufficient for use in setting rates in this Order.

6. USWC does not face effective competition that is sufficiently strong to constrain prices. Competitors are beginning to enter the markets for US WEST services. The Company needs the flexibility to transition to the role of market competitor. USWC should be authorized to file banded rate tariffs to comply with the terms of this Order, consistent with the requirements and restrictions set out in law and in the terms of this Order.

7. The Company should be authorized to file banded rate tariffs in compliance with this Order, consistent with instructions in the body of this Order, subject to the conditions that the initial rate shall be the rate ordered in this Order; that the Commission retains the authority to revisit the banded rate provision of this order, and that rate changes shall be filed on ten days' notice, during which time the Commission may complain against the rate change. In such a complaint the burden will be on USWC to demonstrate that the tariff rate exceeds the Company's TSLRIC and that the price is fair, just, and reasonable, including a demonstration that it does not act in an anticompetitive manner.

8. The Company should be required to file tariff revisions removing prohibitions on resale of its services, and to file a discrete general resale tariff providing that it will resell services, consistent with the instructions in the body of this Order.

9. The Company should be required to file revisions to its Centrex services tariff or tariffs that effect unbundling as described in this Order.

10. All motions made during the course of this proceeding that are consistent with the findings, conclusions, and Order herein should be granted; those that are inconsistent should be denied.

Based on the foregoing findings, reasoning, conclusions, ultimate findings, and conclusions of law, the Commission makes and enters the following Order:

ORDER

The Commission hereby orders:

1. The tariff revisions filed by US WEST Communications, Inc. on February 17, 1995 in this proceeding are rejected in their entirety

2. USWC's cost study is rejected. The Hatfield Model cost study is accepted for purposes of evaluating the costs of local exchange service. USWC's cost study elements as modified and limited in the body of this order are accepted for purposes of this proceeding for evaluating the costs of other services.

3. USWC is directed to improve customer service quality. USWC shall within 30 days begin making monthly service order reports which, at a minimum, shall include the following information by exchange by class of service: the number of all orders for primary exchange access lines received in a given month; the total number of orders held beyond five business days, identifying the number not requiring special equipment or service and the number requesting a later in-service date; and the cumulative reporting of all held orders until service is installed and in working condition. The reports shall be in a form agreed by the Company and Commission Staff and approved by letter from the Secretary. USWC is directed to offer its customer care package, with modifications required herein, to customers who are unable to receive qualifying service, until the Commission authorizes modification or termination of the program.

4. USWC is authorized rates in this proceeding based on the low point on the range of reasonable rate of return. The Company is authorized to petition in this Docket to have its rate of return restored to mid-range and to authorize the team and merit award adjustment upon USWC's satisfactory demonstration that its service quality has significantly improved, as specified in the body of this Order.

5. USWC's cost studies are rejected. The Hatfield Model cost study is adopted for purposes of local exchange service, and information within USWC's study, selected and modified as provided in the body of this Order is accepted for other services for the purposes of this Order.

6. USWC is directed to refile tariff revisions consistent with the terms of this order, as set forth in this order, no later than 5:00 p.m. on Friday, April 19, 1996. The tariffs shall bear an effective date of May 1, 1996. The filings shall reflect no retroactive rate treatment and shall be strictly limited to matters required or authorized in this Order. The filings shall bear the notation, "By authorization of Order of the Washington Utilities and Transportation Commission,

Docket No. UT-950200

7. The refiling shall include revisions to any tariffs now providing restrictions against resale, to remove those restrictions. USWC shall file a resale tariff indicating that it will provide service for resale pursuant to specific tariffs to be filed; that it will file tariffs for resale within 30 days after a request to provide service is presented to it, unless an extension of time is approved by the Commission; and that service may not be resold out of class. The resale tariff may require reasonable assurance of financial and tariff compliance. Individual resale tariffs shall not be inconsistent with any existing resale arrangements or with the terms of this order contemplating resale

8. USWC is authorized to file banded-rate tariffs consistent with this Order. The ceiling of such tariffs shall be the rates authorized herein. The floor of such tariffs shall be the Company's TSLRIC or its tariff rate for necessary services, whichever is higher. The initial filed rate shall be the rate established in this Order

9. USWC is directed to file tariff provisions removing prohibitions on the resale of its services, and to file a general resale tariff, as found proper in this Order.

10. USWC is directed to file revisions to its Centrex tariff or tariffs that effect unbundling, as specified in the body of this Order

11. Material in support of the manner in which the tariffs are constructed and in which the revenues herein authorized for USWC's telephone operations is obtained shall be submitted simultaneously with the filing to which it relates. Each filing shall be accompanied by a brief description of what the Company has accomplished by the filing and how it complies with the terms of this order, e.g., "This revision removes resale restrictions formerly in paragraph 2(e)" and by a legislative style version identifying changes.

12. A notice of the filings authorized in this Order shall be posted at each business s office of USWC in Washington, on or before the date of the filing with the Commission. The notice shall state when the filing is to become effective and advise that the filing is available for inspection at each such office. The notice shall remain posted until the Commission has acted upon the filings.

13. All motions consistent with this Order are granted. Those inconsistent with this Order are denied

14. The Commission retains jurisdiction over all matters and the parties in this proceeding to effectuate the provisions of this Order

DATED at Olympia, Washington, and effective this 11th day of April 1996.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Sharon L. Nelson

SHARON L. NELSON, Chairman

Richard Hemstad

RICHARD HEMSTAD, Commissioner

Wm R. Gillis

WILLIAM R. GILLIS, Commissioner

NOTICE TO PARTIES:

This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).

"APPENDIX"

US WEST COMMUNICATIONS
WASHINGTON INTRASTATE OPERATIONS
TWELVE MONTHS ENDING OCTOBER 1994
COMPARISON OF COMPANY, STAFF AND PC/TRACER

Docket No. UT-950200
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LINE NO	(A)	COMPANY REVISED (B)	STAFF REVISED (C)	PC/TRACER (D)		DIFFERENCE (E) = (D) - (B)
1	NET OPERATING INCOME - PER BOOKS	$89,076,000	$89,089,042	$89,076,000	(A)	$0
	RATE MAKING ADJUSTMENTS:					
2	RMA #1 DEREGULATED MOBILE RADIO	$276,544	$276,544	$276,544	(A)	$0
3	RMA #2 MERGER EXPENSE	8,797	8,797	8,797	(A)	(0)
4	RMA #3 AFUDC (MEMORANDUM IDC)	(2,499,012)	(1,624,358)	(2,499,012)	(A)	0
5	RMA #4 POLITICAL ACTION EXPENSE	9,819	9,819	9,819	(A)	0
6	RMA #5 DEPRECIATION REFUND AMORTIZATION	(3,003,288)	(3,003,288)	(3,003,288)	(A)	0
7	RMA #6 DEPRECIATION RESERVE	16,905,658	16,905,658	16,905,658	(A)	(0)
8	RMA #7 FLOW THROUGH OF NON-PROPERTY TAX	801,812	801,812	801,812	(A)	0
9	RMA #8 OPEB	97,331	1,851,775	97,331	(A)	0
10	RMA #9 SHARING ADJUSTMENTS	0	0	0	(A)	0
11	TOTAL RATEMAKING ADJUSTMENTS	$12,597,661	$15,226,759	$12,597,661		($0)
	RESTATING ACTUAL:					
12	RSA #1 OCCUPATIONAL WAGE ANNUALIZATION	($1,994,531)	($1,954,729)	($1,994,531)	(A)	$0
13	RSA #2 MANAGEMENT SALARY ANNUALIZATION	(824,342)	(755,854)	(824,342)	(A)	0
14	RSA #3 RATE REDUCTION	(4,442,152)	(4,442,152)	(4,442,152)	(A)	0
15	RSA #4 RENT COMPENSATION	(63,000)	(62,046)	(63,000)	(A)	0
16	RSA #5 AFFILIATED INTEREST BILLING ADJUSTMENT	181,248	1,232,375	181,248	(A)	0
17	RSA #6 PENSION CREDIT REDUCTION	(740,377)	(740,377)	(740,377)	(A)	(0)
18	RSA #7 FEDERAL INCOME TAX ADJUSTMENT	1,148,167	1,071,554	1,148,167	(A)	0
19	RSA #8 INSIDE WIRE AMORTIZATION	173,885	173,885	173,885	(A)	(0)
20	RSA #9 PRIMARY TOLL CARRIER	(3,929,557)	(3,929,557)	(3,929,557)	(A)	(0)
21	RSA #10 CLASSIFICATION ADJUSTMENT	711,913	514,059	711,913	(A)	0
22	RSA #11 PURCHASE REBATE ADJUSTMENT	282,169	282,169	282,169	(A)	(0)
23	RSA #12 COMPENSATED ABSENCE ADJUSTMENT	390,000	605,766	390,000	(A)	0
24	RSA #13 TEAM & MERIT AWARD ADJUSTMENT	1,721,000	6,384,966	1,721,000	(A)	0
25	RSA #14 BENEFIT EXPENSE ADJUSTMENT	711,076	668,764	711,076	(A)	0
26	RSA #15 PROPERTY TAX RESTATEMENT	84,787	84,787	84,787	(A)	0
27	RSA #16 FLOW THROUGH TAX RESTATEMENT	1,760,668	13,925,779	1,760,668	(A)	0
28	TOTAL RESTATING ACTUAL ADJUSTMENTS	($4,829,046)	$13,059,389	($4,829,047)		($1)
	RSA #17 OUT OF PERIOD ADJUSTMENTS					
29	OOP #1 PRE-DIVESTITURE TAX ISSUES	($73,855)	($73,855)	($73,855)	(A)	$0
30	OOP #2 ASSET CLEARANCE	222,024	222,024	222,024	(A)	(0)
31	OOP #3 ACCOUNT RECONCILIATION	821,489	821,489	821,489	(A)	(0)
32	OOP #4 INCOME TAX	(729,604)	(496,570)	(729,604)	(A)	0
33	OOP #5 PROPERTY TAX	(1,951,422)	(1,951,422)	(1,951,422)	(A)	(0)
34	OOP #6 LEGAL SETTLEMENT	(197,320)	(197,320)	(197,320)	(A)	(0)
35	OOP #7 INDEPENDENT COMPANY	894,215	894,215	894,215	(A)	0
36	OOP #8 PURCHASE REBATE	(1,227,247)	(1,227,247)	(1,227,247)	(A)	0
37	TOTAL OTHER OPERATING ADJS.	($2,241,720)	($2,008,687)	($2,241,721)		($1)
	PRO FORMA ADJUSTMENTS:					
38	PFA #1 OCCUPATIONAL WAGE INCREASE	($3,385,362)	($3,293,700)	$0	(B)	$3,385,362
39	PFA #2 MANAGEMENT SALARY INCREASE	(1,661,187)	(1,476,652)	0	(B)	1,661,187
40	PFA #3 PENSION ASSET	0	0	0	(A)	0
41	PFA #4 CASH WORKING CAPITAL	0	0	0	(A)	0
42	PFA #5 MATERIAL AND SUPPLIES	0	0	0	(A)	0
43	PFA #6 CAPITAL RECOVERY	(104,192,000)	5,049,375	0	(C)	104,192,000
44	PFA #7 RURAL SALES	(1,599,929)	(1,599,929)	(1,599,929)	(A)	(0)
45	PFA #8 AMORT. OF DEBT CALL PREMIUM EXPENSE	(1,001,476)	539,257	(1,001,476)	(A)	0
46	PFA #9 RESTRUCTURING ADJUSTMENT	0	11,408,953	13,224,250	(D)	13,224,250
47	PFA #10 OPEB CURTAILMENT LOSS	(5,010,872)	0	0	(E)	5,010,872
48	PFA #11 INTERCONNECTION WITH INDEPENDENTS	0	0	0	(A)	0
49	PFA #12 POSTAGE	(449,476)	(449,476)	(449,476)	(A)	(0)
50	TOTAL PRO FORMA ADJUSTMENTS	($117,300,302)	$10,177,827	$10,173,369		$127,473,671
	STAFF ADJUSTMENTS:					
51	SA #1 YELLOW PAGES	$0	$50,602,008	$53,635,000	(F)	$53,635,000
52	SA #2 HELD ORDERS	0	325,664	0	(A)	0
53	SA #3 JURISDICTIONAL SEPARATIONS	0	6,605,250	0	(A)	0
54	SA #4 MARKET RESOURCE GROUP	0	1,052,896	1,062,000	(G)	1,062,000
55	SA #5 INVESTOR SUPPLIED WORKING CAPITAL	0	0	0	(A)	0
56	SA #6 RURAL SALES SETTLEMENT	0	0	0	(A)	0
57	SA #7 AFFILIATED INTEREST ADJ	0	4,428,739	0	(A)	0
58	SA #8 ADVERTISING ADJUSTMENT	0	4,414,955	0	(A)	0
59	SA #9 REGULATORY FEE (COMPANY OOP #9)	47,416	178,682	47,416	(A)	0
60	SA #10 CHARITY CONTRIBUTIONS	0	0	0	(A)	0
61	SA #11 EXTERNAL RELATIONS	0	358,428	0	(A)	0
62	SA #12 OVERTIME AND CAPITALIZATION	0	2,364,862	0	(A)	0
63	TOTAL STAFF ADJUSTMENTS	$47,416	$70,531,502	$54,944,416		$54,897,000
65	NET OPERATING INCOME - ADJUSTED	($22,649,991)	$196,075,831	$159,720,678		$182,370,669
66	C-1 RECURRING REVENUE	$0	$0	$9,508,000	(H)	$9,508,000
67	C-4 LISTING AND PAY STATION [SEE SA#4 ABOVE.]	0	0	0		0
68	C-16 INTEREST SYNCHRONIZATION	0	1,029,331	5,273,427	(I)	5,273,427
69	C-11 OCCUPATIONAL ANNUALIZATION	0	0	1,676,000	(J)	1,676,000
70	C-12 MANAGEMENT ANNUALIZATION	0	0	4,790,000	(K)	4,790,000
71	C-6 BELLCORE DISALLOWANCE	0	0	606,000	(L)	606,000
72	C-7 USWAT PROJECT DISALLOWANCE	0	0	286,000	(M)	286,000
73	C-8 US WEST INC. CHARGES	0	0	1,426,000	(N)	1,426,000
74	TOTAL PUBLIC COUNSEL ADJUSTMENTS	$0	$1,029,331	$23,565,427		$23,565,427
75	NET OPERATING INCOME ADJUSTED	($22,649,991)	$197,105,162	$183,286,104		$205,936,096
76	PC/TRACER Ex. 397-C			182,330,000		
77	Difference [line 75-line 76]			956,104		
78	USWC Ex. 198 Modifications to "Non-Issues" (per PC/TRACER Ex. 397-C)					
79	RSA#2			213,000		
80	RSA#3			68,000		
81	RSA#5B			(96,000)		
82	RSA#7			761,000		
83	RSA#17			(21,000)		
84	Total "Non-Issue" Modifications			925,000		
85	Net Unreconciled Difference [line 77 - line 84]			$31,104		

SOURCE: Staff Exhibit 731 served as initial data source

"APPENDIX"

US WEST COMMUNICATIONS
WASHINGTON INTRASTATE OPERATIONS
TWELVE MONTHS ENDING OCTOBER 1994
COMPARISON OF COMPANY, STAFF AND PC/TRACER

LINE NO		COMPANY REVISED (C)	STAFF REVISED (D)	PC/TRACER (E)		DIFFERENCE (E) = (D) - (B)
1	AVERAGE RATE BASE - PER BOOKS	$1,473,014,000	$1,473,014,993	$1,473,014,993		$993
	RATE MAKING ADJUSTMENTS:					
2	RMA #1 DEREGULATED MOBILE RADIO	($813,085)	($813,085)	($813,085)	(A)	$0
3	RMA #2 MERGER EXPENSE	(239,208)	(239,208)	(239,208)	(A)	0
4	RMA #3 AFUDC (MEMORANDUM IDC)	23,140,741	24,015,395	23,140,741	(A)	0
5	RMA #4 POLITICAL ACTION EXPENSE	0	0	0	(A)	0
6	RMA #5 DEPRECIATION REFUND AMORTIZATION	16,796,490	16,796,490	16,796,490	(A)	0
7	RMA #6 DEPRECIATION RESERVE	128,295,423	128,295,423	128,295,423	(A)	0
8	RMA #7 FLOW THROUGH OF NON-PROPERTY TAX	4,547,960	4,547,960	4,547,960	(A)	0
9	RMA #8 OPEB	(7,036,298)	(7,304,128)	(7,036,298)	(A)	0
10	RMA #9 SHARING ADJUSTMENTS	(19,304,152)	(50,634,616)	(32,707,152)	(O)	(13,403,000)
11	TOTAL RATEMAKING ADJUSTMENTS	$145,387,871	$114,664,232	$131,984,871		($13,403,000)
	RESTATING ACTUAL:					
12	RSA # 1 OCCUPATIONAL WAGE ANNUALIZATION	$181,051	$0	$0	(P)	($181,051)
13	RSA # 2 MANAGEMENT SALARY ANNUALIZATION	74,176	0	0	(P)	(74,176)
14	RSA # 3 RATE REDUCTION	0	0	0	(A)	0
15	RSA # 4 RENT COMPENSATION	0	0	0	(A)	0
16	RSA # 5 AFFILIATED INTEREST BILLING ADJUSTMENT	0	0	0	(A)	0
17	RSA # 6 PENSION CREDIT REDUCTION	0	0	0	(A)	0
18	RSA # 7 FEDERAL INCOME TAX ADJUSTMENT	1,870,468	1,173,328	1,870,468	(A)	0
19	RSA # 8 INSIDE WIRE AMORTIZATION	134,000	133,758	134,000	(A)	0
20	RSA # 9 PRIMARY TOLL CARRIER	0	0	0	(A)	0
21	RSA # 10 CLASSIFICATION ADJUSTMENT	0	0	0	(A)	0
22	RSA # 11 PURCHASE REBATE ADJUSTMENT	0	0	0	(A)	0
23	RSA # 12 COMPENSATED ABSENCE ADJUSTMENT	0	0	0	(A)	0
24	RSA # 13 TEAM & MERIT AWARD ADJUSTMENT	(156,000)	0	(156,000)	(A)	0
25	RSA # 14 BENEFIT EXPENSE ADJUSTMENT	(64,341)	0	(64,341)	(A)	0
26	RSA # 15 PROPERTY TAX RESTATEMENT	0	0	0	(A)	0
27	RSA # 16 FLOW THROUGH TAX RESTATEMENT	23,818,428	16,465,840	23,818,428	(A)	0
28	TOTAL RESTATING ACTUAL ADJUSTMENTS	$25,857,780	$17,772,928	$25,602,553		($255,227)
	RSA # 17 OUT OF PERIOD ADJUSTMENTS					
29	OOP # 1 PRE-DIVESTITURE TAX ISSUES	$0	$0	$0	(A)	$0
30	OOP # 2 ASSET CLEARANCE	0	0	0	(A)	0
31	OOP # 3 ACCOUNT RECONCILIATION	0	0	0	(A)	0
32	OOP # 4 INCOME TAX	0	(1,202,379)	0	(A)	0
33	OOP # 5 PROPERTY TAX	0	0	0	(A)	0
34	OOP # 6 LEGAL SETTLEMENT	0	0	0	(A)	0
35	OOP # 7 INDEPENDENT COMPANY	0	0	0	(A)	0
36	OOP # 8 PURCHASE REBATE	0	0	0	(A)	0
37	TOTAL OTHER OPERATING ADJS.	$0	($1,202,379)	$0		$0
	PRO FORMA ADJUSTMENTS:					
38	PFA # 1 OCCUPATIONAL WAGE INCREASE	$307,303	$0	$0	(P)	($307,303)
39	PFA # 2 MANAGEMENT SALARY INCREASE	149,477	0	0	(P)	(149,477)
40	PFA # 3 PENSION ASSET	69,915,604	0	69,915,604	(A)	0
41	PFA # 4 CASH WORKING CAPITAL	(3,020,000)	0	(3,020,000)	(A)	0
42	PFA # 5 MATERIAL AND SUPPLIES	4,701,000	0	4,701,000	(A)	0
43	PFA # 6 CAPITAL RECOVERY	(104,192,000)	1,165,240	0	(O)	104,192,000
44	PFA # 7 RURAL SALES	(43,542,000)	(32,752,326)	(43,542,000)	(A)	0
45	PFA # 8 AMORT. OF DEBT CALL PREMIUM EXPENSE	0	0	0	(A)	0
46	PFA # 9 RESTRUCTURING ADJUSTMENT	0	(11,766,524)	0	(R)	0
47	PFA # 10 OPEB CURTAILMENT LOSS	0	0	0	(A)	0
48	PFA # 11 INTERCONNECTION WITH INDEPENDENTS	0	0	0	(A)	0
49	PFA # 12 POSTAGE	0	0	0	(A)	0
50	TOTAL PRO FORMA ADJUSTMENTS	($75,680,616)	($43,353,610)	$28,054,604		$103,735,220
	STAFF ADJUSTMENTS:					
51	SA # 1 YELLOW PAGES	$0	$0	$0	(A)	$0
52	SA # 2 HELD ORDERS	0	0	0	(A)	0
53	SA # 3 JURISDICTIONAL SEPARATIONS	0	(35,722,831)	0	(A)	0
54	SA # 4 MARKET RESOURCE GROUP	0	0	0	(A)	0
55	SA # 5 INVESTOR SUPPLIED WORKING CAPITAL	0	(46,480,902)	0	(A)	0
56	SA # 6 RURAL SALES SETTLEMENT	0	(16,600,000)	0	(A)	0
57	SA # 7 AFFILIATED INTEREST ADJ	0	113,213	0	(A)	0
58	SA # 8 ADVERTISING ADJUSTMENT	0	0	0	(A)	0
59	SA # 9 REGULATORY FEE	0	0	0	(A)	0
60	SA # 10 CHARITY CONTRIBUTIONS	0	0	0	(A)	0
61	SA # 11 EXTERNAL RELATIONS	0	0	0	(A)	0
62	SA # 12 OVERTIME AND CAPITALIZATION	0	0	0	(A)	0
63	TOTAL STAFF ADJUSTMENTS	$0	($98,690,520)	$0		$0
65	AVERAGE RATE BASE - ADJUSTED	$1,568,579,035	$1,462,205,641	$1,658,657,021		$90,077,986
66	C-1 RECURRING REVENUE	$0	$0	$0		$0
67	C-4 LISTING AND PAY STATION	0	0	0		0
68	C-16 INTEREST SYNCHRONIZATION	0	0	0		0
69	C-11 OCCUPATIONAL ANNUALIZATION	0	0	0		0
70	C-12 MANAGEMENT ANNUALIZATION	0	0	0		0
71	C-6 BELLCORE DISALLOWANCE	0	0	0		0
72	C-7 USWAT PROJECT DISALLOWANCE	0	0	0		0
73	C-8 US WEST INC. CHARGES	0	0	0		0
74	TOTAL PUBLIC COUNSEL ADJUSTMENTS	$0	$0	$0		$0
75	AVERAGE RATE BASE - ADJUSTED	$1,568,579,035	$1,462,205,641	$1,658,657,021		$90,077,986

76	PC/TRACER Ex. 397-C	1,657,080,000
77	Difference (line 75-line 76)	1,577,021
78	USWC Ex. 198 Modifications to "Non-Issues" (per PC/TRACER Ex. 397-C)	
79	RSA#7	189,000
80	PFA#4	1,386,000
81		0
82		0
83		0
84	Total "Non-Issue" Modifications	1,575,000
85	Net Unreconciled Difference (line 77 - line 84)	$2,021