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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

February 1, 1999

Ms. Magalie Roman Salas
Secretary – Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554

RE: CC Docket Nos. 96-45 and 97-160
FCC CCB Cost Model Input Workshops

Dear Ms. Salas,

This letter transmits U S WEST comments to the Common Carrier Bureau staff on one of the topics which was covered during the December cost model input workshops, and follow-up meetings held with various parties from the industry. The issue on which U S WEST specifically provides comments is the methodology for the development of expense factors.

We request that this information be made a part of the record in this matter. The original and three copies of this notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(b)(1) for this purpose. If there are any questions, please call.

Sincerely,

Kenneth Cartmell

Kenneth Cartmell

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Expense Factors Module - RETAIL User Manual

Version 1.0

October 1998

Market Services & MSEA Economic Analysis

Market Services And Economic Analysis Organization

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Description

The Expense Factors Module is a spreadsheet developed by U S WEST for developing a number of investment and expense-related factors. These factors are used for calculating costs associated with a number of retail services. The factors developed are divided into two major groups — Investment related and Expense related.

Investment Related Factors

Investment related factors are divided into three categories — Maintenance, Right To Use, and Ad Valorem. The Right To Use and the Ad Valorem categories has only one factor each. The maintenance category has many factors, which are calculated by plant account and appear on the report under four sub divisions — Land & Building, Outside Plant, Central Office Equipment and Station Equipment. The following table lists all Investment Related Factors:

Category/Account	Factor
Maintenance	
Land & Building	Land & Building
Outside Plant	Poles
	Aerial Cable - Metallic
	Aerial Cable - Nonmetallic
	Underground Cable - Metallic
	Underground Cable - Nonmetallic
	Buried Cable - Metallic
	Buried Cable - Nonmetallic
	Submarine Cable - Metallic
	Submarine Cable - Nonmetallic
	Intrabuilding Network Cable Metallic
	Intrabuilding Network Cable Nonmetallic
	Aerial Wire
	Underground Conduit
Central Office Equipment	Digital Electronic
	Operator Systems
	Radio Systems
	Digital Circuit Equipment
	Subscriber pair Gain - Digital
	Subscriber Pair Gain - Digital (SONET)
	Other Digital Equipment
	Other Digital Equipment (SONET)
	Subscriber Pair Gain - Analog
	Other Analog Equipment
Station Equipment	Channel Term Equipment
Right To Use	Switching Right To Use

Ad Valorem Ad Valorem

Expense Related Factors

Expense related factors are divided into four categories — Commercial, Directly Attributable, Network Support and Common.

Commercial Factors – are developed for seven product groups. Within each of the seven product groups are factors for Product Management Expense, Sales Expense and Product Advertising Expense. Business Fees is one separate factor.

Network Support Factors – include network administration costs and engineering costs that can be directly identified to the provisioning of a group of services. The level of these costs varies directly with the total volume of the group of services being provided and is not directly dependent on the quantity of any individual service in that group. This cost is often referred to in economic terms as the shared cost. Network Support factors include Network Operations and Network Support Assets.

Directly Attributable Factors – include costs that vary relative to a group or family of services, however, the variability is not directly dependent upon the service family but rather on groups of product families. Although there is a cost causative relationship between the services and these costs, it is not directly a function of any service category. These costs are volume sensitive however, they cannot be completely avoided based on the elimination of any specific service or service family.

Common Factor – include costs for the benefit of the enterprise as a whole. These costs do vary based on the total size of the firm but do not vary based on the size of any group of services or service families. The cost becomes totally avoidable only upon elimination of the entire firm. These costs are sometime referred to as *general overhead costs*. The common factor includes: Executive, Planning, External Relations, Information Management, Legal, Other Procurement, Research & Development and Other General & Administrative expenses.

The following lists the factors that are developed for Commercial, Network Support, Directly Attributable and Common factors:

Category/Account	Factor
Commercial	
Group 1 – Residence	Product Management Sales Product Advertising
Group 2 – BUS, Centrex, Pri. Ln., PBX, ISDN, Public, ACS	Product Management Sales Product Advertising
Group 3 – Interconnect, Carrier Features, PAL	Product Management Sales Product Advertising
Group 4 - Operator Services / DA	Product Management Sales Product Advertising
Group 5 - Toll	Product Management Sales Product Advertising
Group 6 - Billing & Collection	Product Management Sales Product Advertising
Group 7 - Listings, Features, IS, Misc.	Product Management Sales Product Advertising
Business Fees	Business Fee

Network Support	Network Operations Network Support Assets
Directly Attributable	General Support Assets Computers Uncollectible Accounting and Finance Human Resources Intangibles
Common	Common

Scope

The Expense Factors Module – Retail, will develop factors for any one of U S WEST's fourteen states and also a U S WEST composite for retail services.

Description of Worksheets

The Worksheet grouping contains buttons that allow the user to quickly go to any of the worksheets used to calculate factors. The use and purpose of each of these buttons/worksheets will now be explained.

Operating Expenses

The operating expense button will take the user to the operating expense worksheet. This is where expenses related to factor development are calculated. In general, expenses for a number of accounts are obtained from company's "books" of U S WEST, specifically, the expenses are obtained from the MR5 worksheet.

Adjustments are sometimes made to these expenses and then a cost savings and inflation amount is added to the expense. This is the basis for the denominator of many factors. From this denominator base, an additional adjustment may be made in calculating the base for the numerator.

What follows is a more detailed explanation of the use of each column within this worksheet. For consistency, the column reference used will be that of Excel's column headings (not the column reference found in row 6 of the worksheet).

Columns A and B, Account Description: Column A shows the name of a group of accounts while column B contains the individual names of specific accounts. For example the first group of accounts found on row 7 is Central Office Switching Expense. The names of the individual accounts contained in that grouping are shown in rows 8 through 12.

Some groups are displayed in bold face. This is done to indicate that it is the account grouping that is used for developing a factor rather than the individual accounts. For example, the first grouping (called Central Office Switching Expense) uses the total expense amount (cell H7) for developing the denominator of various factors.

Column C, Account No. or FRC: For the most part, this column displays the account code associated with the account name displayed in column A. Sometimes that account code will be displayed with a sub account. For example, account 6232.1 will represent a sub account of account 6232. A number shown in parentheses is a field reporting code (FRC). For example, 377 is one of the FRCs for account 6212. The dollar amounts on

this row are for the field reporting code only. It represents just a portion of the entire account.

Column D, EOY '97 Bk. Opr. Exp.: Column D shows the end of year, 1997, booked operating expenses associated with the account name in columns A and B. This data comes directly from the MR5 sheet.

Column E, Adjustments or Not Used: This is the column that is used to make needed adjustments to booked expenses in the development of either the numerator or denominator base. If a particular expense is not used in the development of either a numerator or denominator of a factor, the entire amount is therefore, "not used" and is shown in this column.

Column F, Cost Savings Amount: Expenses may be adjusted for cost savings expected during the duration from the "Base Year" and "Study Year" selected from the menu sheet. This amount is calculated by multiplying the expense of a given account by its corresponding cost savings factor. This factor appears in the "Inflation" worksheet within the module. This sheet can be accessed by selecting the "Cost savings and Inflation Inputs" button found in the "Inputs" grouping on the main menu.

Column G, Inflation Amount: Expenses are adjusted for inflation by applying an inflation factor (found on the Inflation sheet) to the expense. The amount of inflation applied is controlled by the Base and Study Year items selected on the "Inputs" grouping of the menu. The actual inflation used can be user overridden on the Inflation sheet.

Column H, Denominator Base: The denominator base is calculated by adding operating expense for a given account (column D) to the adjustments (in column E) with the cost savings and inflation amounts (in columns F and G, respectively).

Column I, Adjustments or Not Used: This column is used in the development of the numerator base for a number of factors. Note that adjustments to expenses that appear in column E effect both numerator and denominator development (columns H and K). The numerator is calculated by adding the adjustment in column I to the denominator base in column H.

If no numerator is being developed for a given account, the entire amount appearing in the denominator (column H) is "not used" (column I) for the numerator development (column K).

Investments and Capital Costs

The "Investment and Capital Costs" button will take the user to the Investment and Capital Costs worksheet where investments related to factor development are calculated.

In general, investments for a number of accounts are obtained from U S WEST "books", specifically, the investments come from the MR2A worksheet.

The Investment and Capital Costs worksheet is used in the development of maintenance factors and also for development of other factors by converting the investments into annualized expenses.

What follows is a more detailed explanation of the use of each column within this worksheet. For consistency, the column reference used will be that of Excel's column headings (not the column reference found in row 6 of the worksheet).

Columns A through C, Account Description: Lists the names for a grouping of accounts, individual accounts, or sub account names along with its associated account or field reporting code.

Column D, Account No. or FRC: Lists the account code or field reporting code associated with the corresponding account.

Column E, EOY '97 Book Inv.: Shows the 1997, end of year, booked investments by account. The investment is obtained directly from the MR2A sheet.

Column F, CC/BC Amount: The investment development begins with the application of a current to book (CC/BC) ratio, but only on asset related investments. An asset related (secondary) investment is one that is used in the support of a primary investment. For example, outside plant is a primary investment needed for many products and services. However, it is necessary to invest into special purpose vehicles needed in the construction and maintenance of plant. Therefore, special purpose vehicles are considered an asset-related investment. To calculate the current asset related investment, a CC/BC ratio is applied to the embedded investment to reflect the value in today's dollars.

Column G, Future Use: This column is reserved for future use.

Column H, Not Used: The first half of the Investment and Capital Costs worksheet is to develop the investments for maintenance factors. The second half of the worksheet is used for other factor development. If a particular account is not used specifically to develop a maintenance factor, the investment is "not used" and appears in column H.

Column I, Adjustments: Sometimes it is necessary to make some adjustments to the investments and expenses that are used from the company books when developing factors. For example, buildings in one state that are for corporate use and serve all fourteen U S WEST states, need to be allocated to all states, not just the state where the buildings are located. The calculation of these adjustments can be found on the end of the Investment and Capital Costs sheet under the heading: Adjustment Development.

Column J, Maintenance Factor Base: This column is used in developing the denominator for maintenance factors. It is calculated by summing booked investments, any CC/BC amounts, amounts in the "Future Use" column and any adjustments applicable (columns F through I).

Column K, Adjusted Factor Base: This column is used to calculate an adjusted investment for the development of factors not specific to maintenance.

Column L, Ad Valorem: Used to convert an investment to an annualized expense associated with Ad Valorem (personal property taxes).

Column M, Depreciation Expense: Used to convert an investment to an annualized expense associated with depreciation expense (the repayment of capital).

Column N, Cost of Money Expense: Used to convert an investment to an annualized expense associated with the cost of money (interest for the financing of capital).

Column O, Income Tax Expense: Used to convert an investment to an annualized expense associated with Income Taxes.

Column P, Total Exp.: Used to sum the annualized expense associated with Ad Valorem, Depreciation expense, Cost of Money and Income Tax expense (columns O through L).

Asset Related Expenses

Clicking on the "Asset Related Expenses" button takes you to the asset related expenses worksheet where secondary investments are developed. As explained earlier, an asset related (secondary) investment is one that is used in the support of a primary investment. For example, outside plant is a primary investment needed for many products and services. However, it is necessary to invest into special purpose vehicles needed in the construction and maintenance of plant. Therefore, special purpose vehicles are considered an asset-related investment. To calculate the current asset related investment, a CC/BC ratio is applied to the embedded investment to reflect the value in today's dollars. This worksheet develops these secondary investments and also converts them into annualized expenses.

What follows is a more detailed explanation of the use of each column within this worksheet. For consistency, the column reference used will be that of Excel's column headings (not the column reference found in row 6 of the worksheet).

Columns A through D, Account Description: Lists the accounts and groups of accounts being developed as asset related expenses.

Column E, Account No.: Lists the account code associated with the account name in columns A through D.

Column F, EOY '97 Booked Investments: Shows the 1997, end of year, booked investments by account. Investments are obtained directly from the MR2A sheet.

Column G, Other Studies: Sometimes a portion of the investment in a number of accounts is already being recovered in other cost studies. This column shows the dollar amounts that are already being recovered elsewhere and therefore should be excluded here.

Column H, Adjustments: Sometimes it is necessary to make some adjustments to the investments that are used from the company books when developing factors. For example, buildings in one state that are for corporate use and serve all fourteen U S WEST states, need to be allocated to all states, not just the state where the buildings are located.

Column I, CC/BC Adjustment Amount:. This calculates an adjustment to the original investment amount (column F) using a CC/BC (Current Cost to Book Cost) ratio to reflect that value of the asset in today's dollars.

Column J, Future Use: This column is reserved for future use.

Column K, Investment Factor Base: Calculates the total investment that is used as the basis for a number of factors. It is calculated by adding the end of year, 1997, booked investment plus the investment amounts of other studies, plus Adjustments, CC/BC amount and any amount appearing in the Future Use column.

Column L, Investment Factor Base: Same as column K.

Column M, Ad Valorem: Used to convert an investment to an annualized expense associated with Ad Valorem (personal property taxes).

Column N, Depreciation Expense: Used to convert an investment to an annualized expense associated with depreciation expense (the repayment of capital).

Column O, Cost of Money Expense: Used to convert an investment to an annualized expense associated with the cost of money (interest for the financing of capital).

Column P, Income Tax Expense: Used to convert an investment to an annualized expense associated with Income Taxes.

Column Q, Associated Operating Expense: These are operating expenses that have been developed on the Operating Expense worksheet. They are being pulled over onto

the Asset Related Expense worksheet so that total expenses associated with a given account can be totaled.

Column R, Total Exp.: This is the total of expense associated with Ad Valorem, depreciation expense, cost of money and income tax expense along with associated operating expenses.

Commercial Marketing

Clicking on the "Commercial Marketing" button takes the user to the "Commercial Marketing Expense – Section E" worksheet. Commercial marketing expense is developed by taking end of year expenses from the Cost Allocation Accounting System (CAAS), and adjusting them into product groups.

Columns A and B, Account Description: This column lists product groups one through seven. Under each group are Product Management, Sales and Advertising.

Column C, Account No.: This column lists the account code associated with the account name shown in column B.

Column D, EOY Bk. Opr. Exp: This column shows the end of year book operating expense associated with product group by account.

Column E, Cost Savings Amount: Expenses may be adjusted for cost savings expected during the duration from the "Base Year" and "Study Year" selected from the menu sheet. This amount is calculated by multiplying the expense of a given account by its corresponding cost savings factor. This factor appears in the "Inflation" worksheet within the module. This sheet can be accessed by selecting the "Cost savings and Inflation Inputs" button found in the "Inputs" grouping on the main menu.

Column F, Inflation Amount: Expenses are adjusted for inflation by applying an inflation factor (found on the Inflation sheet) to the expense. The amount of inflation applied is controlled by the Base and Study Year items selected on the "Inputs" grouping of the menu. The actual inflation used can be user overridden on the Inflation sheet.

Column G, Numerator Base: The numerator base is the sum of EOY Book Operating Expenses (Column D), Cost Savings Amount (Column E), and Inflation Amount (Column F).

Column H, EOY Bk. Opr. Exp: End of Year Book Operating Expenses is a direct input into the Expense Factors Module. In comes from the Adjustment sheet under "Direct Miscellaneous Inputs, Commercial Marketing (Sec. E) – Denominator". This data is obtained from the Cost Allocation Accounting System (CAAS). It represents annualized expenses (Cost of Money, Depreciation, Income Tax, Maintenance and Ad Valorem)

associated with the investments that support the individual product group. This denominator includes only directly assigned expenses associated with each product.

Column I, Adjustment: The annualized End of Year Book Operating Expenses for commercial marketing factors are obtained from CAAS and are not considered forward looking. For study use it was necessary to calculate an adjustments factor that the commercial marketing factor denominator could be multiplied by to bring the expenses to a forward looking level. This was done by dividing total directly assigned expenses by total commercial marketing expenses.

Column J, Denominator Base: The denominator base is the sum of EOY Book Operating Expenses (column H) and the Adjustment amount calculated in column I.

Denominator Development

Clicking on the Denominator Develop button will take the user to the Denominator Development – Section A2 worksheet. This is where the denominator for Network Support, Directly Attributable and Common factors are developed.

The development is divided into two groups: Operating related expenses and Investment related expenses. The operating expenses are developed in Section B of the Expense Factors module. The investment related expenses are developed in Sections C and D of the Expense Factors Module (with the exception of Ad Valorem, which is from Section B). The sum of the operating and investment related expenses are shown in the entry labeled Total Direct Expenses.

The next item shown on the Denominator Development – Section A2 sheet is Total Commercial Marketing Expense, which is obtained from the Adjustment sheet as a direct input. This denominator includes all expenses associated with a specific product group. The Commercial Marketing Denominator Ratio is developed by dividing the Total Directly Attributed Expense by the Total Commercial Marketing Expense. This ratio is used to adjust the Total Commercial Marketing Expense, which comes from CAAS, to a forward-looking level to align with the total directly assigned expenses, which are considered forward-looking.

All expenses associated with the marketing expenses are from the Cost Allocation Accounting System (CAAS) results.

Factor Development

The "Factor Development – Section A1" sheet is where all the initial worksheets in developing operating expenses and investments are tied together. It shows how various factors are developed and documents what amounts are used in the numerator and denominator when developing a factor. Where appropriate, power, subscriber line testing, and interoffice testing factors were included in the overall factor development.

Also included on this sheet is the source of each piece of information used to provide greater detail of the denominator and numerator of each factor.

Summary

The Summary sheet (as the name implies) provides a summary of all the factors that are calculated within the Expense Factors Module. The factors are divided between Investment Related Factors and Expense Related Factors. That is, factors that were developed to be applied to investments are summarized in the Investment Related section of the Summary sheet (page 1) while factors developed to be applied to expenses are summarized in the "Expense Related Factors" section (page 3).

On the Investment Related Factors page, the major Expense Related Account Codes and Investment Related Account Codes used to develop the factor are shown. Also for reference purposes, the predominate Field Reporting Code (FRC) is shown. The last column on the page shows the factor for each account for a given state.

The Expense Related Factors page is made up of Commercial, Network Support, Directly Attributable and Common expense factors. Within each of these groups are shown the factor's name, the accounts that were used to develop the factor and the factor itself.

For details to the development of these factors, refer to the "Factor Development – Section A1" sheet within the Expense Factors Module workbook.

Methodology

Investment Related Factors

Investment related factors are designed to be applied to investments. They are used to calculate a recurring annual expense associated with a given investment. For example, a particular service may require the use of central office switching equipment where hundreds of thousands of dollars are invested. Once the equipment is placed in service, it will require some expenditures in order to maintain the equipment over the life of the plant. For every dollar of investment, a percentage of annual maintenance expense can be calculated by multiplying the investment in central office switching times its associated maintenance factor.

There are three main categories of investment related factors that are calculated in the Expense Factors Module. They are Maintenance, Switching Right To Use and Ad Valorem.

Maintenance Factors

Overview

There are twenty five maintenance factors, as identified in the Factor Summary worksheet, grouped into four different categories — land and building, outside plant, central office equipment and station equipment. Each of these maintenance factors are developed on a state by state basis using expenses and investments relative to the account under study.

Maintenance factors are developed by taking the adjusted levels of 'M' expense dollars and dividing them by adjusted investment associated with a particular account. Power, subscriber line testing and trunk testing factors are added to the applicable accounts to get the final maintenance factor. Maintenance expense is calculated by multiplying the maintenance factor times total investment for an account under study.

Numerator Development

The numerator used to develop the maintenance factor or 'M' expense dollars is taken directly from the Company MR5 report which is displayed as worksheet 'MR5' in the Expense Factors Module. The 'MR5' worksheet splits each company expense account into more than one category in order to properly calculate a maintenance factor associated with a particular account. For example, account 6212 Digital Electronic Expense identifies individual field reporting codes and the expense associated with each code. The account is further split with the Right To Use expenses identified separately.

The expense dollars associated with the example are carried forward from the 'MR5' worksheet to the 'Operating Expense - Section B' worksheet. The 'Operating Expense - Section B' worksheet is divided into three sections — account information, denominator base development and numerator base development.

The first section, account information, provides a description of the account (account name), the account code, and the End Of Year (EOY) MR5 expense dollars from the 'MR5' worksheet. In the 'Operating Expense - Section B' worksheet, the 6212 expenses are identified as 'Digital Electronic Expense' and 'Digital Electronic Expense - RTU'. Adjustments to the Digital Electronic Expense account are developed in the Adjustment Development area of section B. The 'Digital Electronic Expense - RTU' account 6212 (377M) dollars are used to develop the Switching Right To Use (RTU) factor.

The second section defines the denominator base used to calculate the Network Support, Directly Attributable, and Common factors later used in the 'Denominator Development - Section A2' worksheet. The denominator base is calculated by adding together the initial investment in a particular account with a cost savings and an inflation amount. The cost savings and inflation amounts are used to compensate for expected cost savings or increases over the time period from the base and study year that is selected from the main menu.

The third section defines the maintenance numerator base. This section removes expenses associated with unrelated field codes and expenses identified in other direct studies. The result is carried to the 'Factor Development - Section A1' worksheet.

Adjustments - Maintenance

Some Nonrecurring Cost (NRC) expense activities are accounted for on the books using the 'M' (maintenance/repair and rearrangements/changes) type codes associated with maintenance. These work activities take place at the same time as Service Order activity and are recovered at that time. The adjustments to the maintenance factors for these expenses are identified in "Operating Expenses – Section B" worksheet under the Adjustment development area.

Identified NRC work activities that are accounted for in the M codes are in the following areas: Recent Change Memory Administration Center (RCMAC), Special Services Center (SSC), Business Customer Service Center (BSCS), Local Assignment Center (LAC), Loop Provisioning Center (LPC), Local Service Order Dispatch (LRAC) and Frameperson. To adjust for these situations, when they occur, the following procedures have been included in the maintenance factor development.

RCMAC Adjustments

Responsibility codes were identified for all people involved with the RCMAC activities. Employee hours reported to these responsibility codes are retained for a four-mouth period at which time they are removed from the database. Four months of data were collected from the Employee Information Center Database using the Labor file. These hours included only Field Reporting Code (FRC) 377M effort and were multiplied by the appropriate Plant Clearance Labor Rates. These are the rates used to clear reported hours as expense to the appropriate 'M' (maintenance/repair and rearrangements/changes) type of FRC codes. The rates come from the Corporate Table System. A percentage was developed based on the proportion of these dollars to the total expense dollars minus Right To Use fees charged to FRC 377 M, account 6212, during the same period of time. The total FRC 377M expense dollars are from the General Ledger Journal file. The resulting percentage was multiplied against the total FRC 377M, account 6212, minus Right To Use fees. The result will be carried to the Expense Factors Module Adjustment Sheet and finally removed from the FRC 377M, account 6212, in Section B, Column I. This process was completed for each state.

SSC, BCSC, LAC, LPC, LRAC and Frameperson Adjustments

The Service Order Activity of these functions was accumulated from the Service Order Activity Tracking data base. This was completed on a state specific basis. The time estimates associated with each activity in the NRC studies were multiplied by the occurrences for the activity in question to get the total annual hours charged to that activity. The result is multiplied by the prorate factor for this activity. The prorate factor is used to determine what share of the identified hours belong to which field reporting codes. The prorate factor came from the Report Management & Distribution System (RMDS). Once this has been determined, the hours are multiplied by the appropriate Plant Clearance Labor Rates. The result of this calculation is carried to the Expense Factors Module Adjustment Sheet and finally removed from the appropriate 'M' type of FRC account in Section B, Column I.

An adjustment for operating rents expense was also developed for each state. Building operating rents expense associated with buildings used to support more than one state are allocated to the supported states. This adjustment is based on the Rent Compensation Study. It takes into account perceived usage in all fourteen states, as well as employee head count and what work is done in each state by the employee body.

Adjustments for expense associated with unrelated field reporting codes not associated with maintenance factors as well as adjustments to remove Right To Use (RTU) field codes are also identified here.

Denominator Development

The denominator used to develop the maintenance factor consists of investment dollars associated with the account under study. Continuing our example by using account 2212,

the investment dollars are obtained using data from the Company's MR2A report which is displayed as worksheet MR2A in the Expense Factors Module. As can be seen, the account dollars are broken down by field reporting codes (FRC). The investment dollars associated with the example are carried forward to the 'Investments and Capital Costs - Section C' worksheet.

The 'Investments and Capital Costs - Section C' worksheet is divided into three sections — Account information (columns A – E), Maintenance Factor Base (columns F – J) and Total Expense (columns K – P). The first section identifies the account description (account name), account code and end of year (EOY) book investment expenses. The second section develops the maintenance factor denominator or investment base. The third section, which converts investments to expenses, is not used for maintenance factor development but for the denominator of other expense factors.

The EOY investments carried forward from the 'MR2A' worksheet are brought to study year using appropriate inflation. In addition, investments associated with other direct studies are removed to complete the development of the maintenance denominator. The result is carried to the 'Factor Development - Section A1' worksheet.

Factor Development

The 'Factor Development - Section A1' worksheet divides the adjusted account expense by the adjusted account investment. If appropriate: power, subscriber line testing and trunk testing expense are then added to the quotient.

The power factor consists of account 6531 power expense adjusted with cost savings and inflation divided by the adjusted investment associated with accounts 2211, 2212, 2215, 2220, 2231, 2232 and 2351.

The numerator used to develop the power expense factor or account 6531 is directly from the Company MR5 report which is displayed in worksheet 'MR5' in the Expense Factors Module. These power expense dollars are carried forward to the 'Operating Expenses - Section B' worksheet and adjusted with cost savings and inflation factors to bring the expenses to study year. The result is carried to the 'Factor Development - Section A1' worksheet numerator column.

The denominator used to develop the power expense utilizes the total adjusted 2211, 2212, 2215, 2220, 2231, 2232 and 2351 account codes on the worksheet 'Investments and Capital Costs - Sec C'. The result is carried to the 'Factor Development - Section A1' worksheet denominator column.

The 'Factor Development - Section A1' worksheet divides the adjusted power expense or numerator by the adjusted account investment or denominator. The quotient is the

Power Factor that is added to the maintenance factor for accounts 2211, 2212, 2215,2220, 2231, 2232 and 2351 on worksheet 'Factor Development - Section A1'.

The Subscriber Line Testing consists of the 6533 account FRC 41T and 41M testing expense adjusted with cost savings and inflation divided by the adjusted investment associated with accounts 2421, 2422, 2423, 2424 and 2426.

The numerator used to develop the subscriber line testing expense factor or account 6533 FRC 41T and 41M is directly from the Company MR5 report which is displayed in worksheet 'MR5' in the Expense Factors Module. These Subscriber Line Testing expense dollars are carried forward to the 'Operating Expenses - Section B' worksheet and adjusted with cost savings and inflation factors to bring the expenses to study year. The result is carried to the 'Factor Development - Section A1' worksheet numerator column.

The denominator used to develop the Subscriber Line Testing expense utilizes the total adjusted 2421, 2422, 2423, 2424 and 2426 account codes on the worksheet 'Investments and Capital Costs - Sec C'. The result is carried to the 'Factor Development - Section A1' worksheet, denominator column.

The 'Factor Development - Section A1' worksheet divides the adjusted Subscriber Line Testing expense or numerator by the adjusted account investment or denominator. The quotient is the Subscriber Line Testing Factor that is added to the maintenance factor for accounts 2421, 2422, 2423, 2424 and 2426 on worksheet 'Factor Development - Section A1'.

The Interoffice Testing consists of account 6533 FRC 14T testing expense adjusted with cost savings and inflation divided by the adjusted investment associated with accounts 2231, 2232, 2362, 2421, 2422, 2423, 2424 and 2426.

The numerator used to develop the Interoffice Testing expense factor or account 6533 FRC 14T is directly from the Company MR5 report which is displayed in worksheet 'MR5' in the Factor Module. These Interoffice Testing expense dollars are carried forward to the 'Operating Expenses - Section B' worksheet and adjusted with cost savings and inflation factors to bring the expenses to study year. The result is carried to the 'Factor Development - Section A1' worksheet, numerator column.

The denominator used to develop the Interoffice Testing expense utilizes the total adjusted 2231, 2232, 2362, 2421, 2422, 2423, 2424 and 2426 account codes on the worksheet 'Investments and Capital Costs - Sec C'. The result is carried to the 'Factor Development - Section A1' worksheet, denominator column.

The 'Factor Development - Section A1' worksheet divides the adjusted Interoffice Testing expense or numerator by the adjusted account investment or denominator. The

quotient is the Interoffice Testing Factor that is added to the maintenance factor for accounts 2231, 2232, 2362, 2421, 2422, 2423, 2424 and 2426 on worksheet 'Factor Development - Section A1'.

Switching Right To Use (RTU) - Factor

The Switching Right-To-Use (RTU) factor estimates the expensed RTU switching fees that make up a portion of the annual costs associated with digital switches. The factor numerator is based on the field reporting code (FRC) of 377M (in Account 6212 Digital Electronic Expense) and expenditure type codes of 61A (upgrades of operating system RTU), 61C (recurring RTU fees), and 61F (upgrades of application RTU). The denominator consists of the ending balance for FRC 377C (in Account 2212, Digital Electronic Switching).

Ad Valorem

The Ad Valorem (Property) Tax factor is used to provide an estimate of the Ad Valorem tax costs that are associated with investments. It was developed for use in estimating the total operating expense associated with central office equipment, public coin equipment, and outside plant equipment. The data sources utilized for this are (numerator) Account 7240.1 Property Taxes and (denominator) Account 2001 Total Telephone Plant in Service.

Expense Related Factors

The expense related factors are grouped into four categories – Commercial, Network Support, Directly Attributable, and Common.

Commercial

There are several factors that are developed in this category called Commercial. They are: Product Management Expense, Sales Expense, Product Advertising Expense, and Business Fees or (Other Operating Taxes). The three Commercial Marketing factors listed above are one of several product groups used to more accurately reflect the costs of Commercial Marketing as we move more into a competitive world. The application of the factors will be applied to direct expense. This was accomplished by providing Commercial Marketing factors for product lines, instead of overall average factors. Not all product lines will have their own factors, but were combined into Product Groupings.

A product grouping is a weighting of individual Marketing expense factors by service category used in the Cost Allocation Accounting System (CAAS). The product groupings were created by the factors group taking into consideration the level of actual expenses and like products of each service category.

The direct operating expenses, product management, sales expenses, and product advertising were used from the Cost Allocation Accounting System results. Within CAAS, separate studies and time reporting are done to determine the percentage of

Product Management and Sales expenses associated with each product. This is done by obtaining a list of responsibility codes and employee names for the function code.

The product groupings are a weighting of one or more products within a single group. The CAAS output is currently in twenty major groupings. The twenty major product lines were combined into seven groups based on product similarity and size of the factor. The revenue for each product was used for the weighting of each of the twenty product groups into seven product groupings. The revenue weightings were multiplied by each individual product factor within a grouping to obtain one factor for each product grouping.

The seven product groups for Product Management, Sales, and Advertising are:

Group 1 – Residence
Group 2 – BUS, Centrex, Pri. Ln., PBX, ISDN, Public, ACS
Group 3 – Interconnect, Carrier Features, PAL
Group 4 - Operator Services / DA
Group 5 – Toll
Group 6 - Billing & Collection
Group 7 - Listings, Features, IS, Misc.

Product Management Expense

Product Management Expense, account 6611: Product management includes 1) Rate and Tariff - Development which are the costs of providing new or revised tariff offerings, making studies in support of specific dockets and to identify and analyze costs for regulatory activities and 2) Market Forecast - Management Administration and Analysis which are the costs associated with analyzing all forecasts of current and future market conditions, presenting a detailed customer profile, establishing and tracking revenue objectives, as well as performing basic office services. The expenses for this factor can be found in Section B, Operating Expenses. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Sales Expense Factor

Sales Expense, account 6612: Included in this factor are costs incurred with performing sales contact work, servicing and implementation activities for the purpose of selling products and services to accounts in a particular market or segment. The expenses for this factor can be found in Section B, Operating Expenses. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Product Advertising Expense Factor

Product advertising expense, account 6613: Includes costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services. This excludes non product related advertising, such as corporate image, stock and bond issue and employment advertisements, which is included in the appropriate functional accounts. The expenses avoided can be found in Section B, Operating Expenses.

Business Fees

The Business Fees factor estimates the expenses associated with other operating taxes. The factor numerator is based on account 7240 (Operating Other Taxes), specifically 7240.2 through 7240.9. (Reference Factor Development - Section A1). The subaccounts of .2 through .9 represent gross receipts taxes, cost of franchises, capital stock taxes, superfund taxes and other taxes. The denominator consists of the Total Direct Expenses. (Reference Denominator Development - Section A2).

Adjustments

The purpose of this adjustment is to more accurately reflect the cost of Commercial Marketing for Retail services. This was accomplished by providing Commercial Marketing expenses by product lines. The expenses for Product Management, Sales and Advertising are from the Cost Allocation Accounting System (CAAS).

Since the Product Management, Sales, and Advertising expenses from the MR5 report are for all products, an adjustment to the MR5 report was required to provide expenses for Retail services. The CAAS system was used to replace the MR5 in calculating marketing expenses associated with individual products for Product Management, Sales and Advertising.

The factor module Adjustments worksheet is where the Product Management, Sales and Advertising operating expenses are adjusted for Retail services. The amount to be used is the expenses for Retail services from the CAAS reports. The actual amount is subtracted from the "Amount to be Used" to calculate the adjusted amount that is used in the Operating Expenses - Section B worksheet, adjustments or not used column. This adjustment removes marketing expenses for all products other than the specific Retail service being studied and is used to calculate the numerator.

The denominator needs to be adjusted for the same reason as the numerator. To correctly calculate a factor, the expenses that are represented in the numerator must correspond to what is included in the denominator. Therefore, the denominator must include only expenses associated with Retail services and directly assigned expenses that the factor is applied to. The adjustment is to include only the direct expenses in the denominator, since the factor is applied to directly assigned expenses. The type of expenses are shown on the Denominator Development - Section A2 worksheet. A summary of these expenses include Depreciation, Cost of Money, Income Taxes, Maintenance, and Ad Valorem or property taxes. The expenses listed are provided on a total product basis in the CAAS report for the Carrier Access (Feature Groups) product line.

Since only direct expenses are required for the denominator, the total product expenses listed above needed to be adjusted to reflect only direct expenses. The following adjustments were made to the total product expenses to determine the direct expenses:

1. The total product depreciation expenses were split between directly assigned expenses (or primary) and secondary expenses. This was done by separating the Field Reporting Codes (FRC) that are associated with the directly assigned depreciation investment and the FRC's that are associated with investments included in the factors. The depreciation expenses associated with the directly assigned depreciation investments were included in the denominator.

2. The percentage of directly assigned depreciation expense to the total product depreciation expenses was used to calculate the Cost of Money and the Income Tax directly assigned expenses.

3. The total product maintenance expenses were split between directly assigned expenses (or primary) and secondary expenses. This was done by separating the FRC's that are associated with the directly assigned maintenance and the FRC's that are associated with maintenance that is included in the factors. The maintenance expenses associated with the directly assigned investments were included in the denominator.

4. The total product plant in service was split between directly assigned investments (or primary) and secondary investments. This was done by separating the FRC's that are associated with the directly assigned investments and the FRC's that are associated with investments included in the factors. The percentage of directly assigned investments to the total product investments was used to calculate the Ad Valorem directly assigned expenses. The Ad Valorem expenses associated with the directly assigned investments were included in the denominator.

The above expenses were summed and included in the Adjustments worksheet, under the Miscellaneous Direct Inputs.

Network Support

There are two factors that make up the Network Support section, they are: Network Operations and Network Support Assets. Each of these factors are developed on a state by state basis in like manner utilizing expenses and investments relative to the account under study.

Numerator Development

Network Operations

The numerator used to develop the Network Operations expense factor is taken directly from the Company MR5 report which is displayed as worksheet 'MR5' in the Expense Factors Module. The expense dollars associated with the network operations are carried forward from the 'MR5' worksheet to the 'Operating Expense - Section B' worksheet. Section B multiplies the EOY dollars for accounts 6532, 6534 & 6535 by productivity and inflation to bring the expenses to study year. The result is carried to the 'Factor Development - Section A1' worksheet. The following is a description of what is included in each account:

Account 6532, includes costs incurred in network administration. This includes such activities as controlling traffic flow, administering traffic measuring and monitoring devices, assigning equipment and load balancing, collecting and summarizing traffic data, administering trunking and assigning interoffice facilities and circuit layout work.

Account 6534, includes costs incurred in the general administration of plant operations. This includes supervising plant operations, planning, coordinating and monitoring plant operations; and performing staff work such as developing methods and procedures, preparing and conducting training and coordinating safety programs.

Account 6535, includes costs incurred in the general engineering of the telecommunications plant which are not directly chargeable to an undertaking or project. This includes developing input to the fundamental planning process, performing preliminary work or advance planning in connection with potential undertakings, and performing special studies of an engineering nature.

Adjustments – Network Operations

An adjustment to Account 6532 (Network Administration Expense) is done to remove the expenses associated with non-recurring functions from Account 6532 (specifically sub-accounts 6532.2 and 6532.3). Since these non-recurring expenses are recovered in Non-Recurring Cost Studies, these same expenses should not be included in the calculation of cost factors used in Recurring Cost Studies.

To accomplish the adjustment to 6532.2 (Central Office Administration), a percentage was developed based on the proportion of the non-recurring expenses (functions) to the total in Account 6532.2. The percentage is then used against the current annual Account 6532.2 expenses to arrive at a dollar amount which is representative of the non-recurring expenses (functions).

The adjustment amount for 6532.3 (Circuit Assignment) is simply the total 6532.3 sub-account. Since the non-recurring expenses make up this total sub-account, the total is used as the adjustment amount.

The total adjustment is the dollar amount shown on the Adjustment worksheet (identified as Operating Expenses – Sec. B, Network Administration) of the Expense Factors Module. This adjustment amount is then carried to the Operating Expenses – Section B worksheet where it is removed from Account 6532.

Network Support Assets

The numerator used to develop the Network Support Assets expense factor is taken directly from the Company MR2A report which is displayed as worksheet 'MR2A' in the Expense Factors Module. The investment dollars associated with the network support

assets are carried forward from the 'MR2A worksheet to the 'Asset Related Expense - Section D' worksheet. Section D multiplies the EOY dollars for accounts 2112, 2113, 2114, 2115 & 2116 by a CC/BC factor. These investments are then multiplied by Ad Valorem Tax, Cost of Money, Depreciation and Income Tax to acquire the expenses associated with the investments. The sum of these 5 accounts is then carried to the 'Factor Development - Section A1' worksheet. The following is a description of what is included in each account:

Account 2112, Motor Vehicles includes the original cost of motor vehicles of those types which are designed and routinely licensed to operate on public streets and highways.

Account 2113, Aircraft includes the original cost of company owned aircraft and any associated equipment and furnishing installed as an integral part of the aircraft.

Account 2114, Special Purpose Vehicles includes the original cost of special purpose vehicles. Special purpose vehicles are self-propelled and are therefore independent upon another vehicle's engine for power.

Account 2115, Garage Work Equipment includes the original cost of tools and equipment used to maintain items included in Accounts 2112, 2113, 2114. Items such as Air compressors, car hoists, garage jacks, gasoline pumps etc.

Account 2116, Other Work Equipment includes the original cost of power-operated equipment, general-purpose tools and other items of work equipment.

The investment in these accounts is converted to expenses to calculate a factor. This is done by multiplying the investment dollars by an Ad Valorem factor, and capital cost factors (Cost of Money, Income Taxes and Depreciation). These investments were also adjusted by a Current Cost to Book Cost ratio, to bring expenses to study year.

Directly Attributable

There are several factors that make up the Directly Attributable section, they are: General Support Assets, General Purpose Computers, Uncollectibles, Accounting and Finance Expense, Human Resources Expense, and Intangibles. Each of these factors is developed on a state by state basis in like manner utilizing expenses and investments relative to the account under study.

General Support Assets

The numerator used to develop the General Support Assets expense factor is taken directly from the MR2A worksheet and appears on the worksheet titled 'Asset Related Expense - Section D'. The only account not adjusted in this factor is Inventories Account 1220, and these appear in Asset Related Expenses - Section D. Accounts 2111 (Land),

2121 (Buildings), 2122 (Furniture & Artwork), 2123 (Office Equipment), 2681 (Capital leases) & 2682 (Leasehold Improvements) have however been adjusted from what is shown on the company books. This amount is shown under the column titled adjustments.

The booked investment minus the amount removed from the columns titled 'other studies' and 'adjustments' are then multiplied by a CC/BC ratio. They are then multiplied by Capital Costs and Ad Valorem Tax to acquire expenses associated with each investment. The following is a description of what is included in each account:

Account 2111, Land includes the original cost of leaseholds, easements, and similar rights in land having a term of more than one year used for purposes other than the location of outside plant or externally mounted central office equipment.

Account 2121, Buildings includes the original cost of buildings, and the cost of all permanent fixtures, machinery, appurtenances and appliances installed as a part thereof. It shall include costs incidental to the construction or purchase of a building and to securing possession and title.

Account 2122, Furniture & Artwork includes the original cost of furniture in offices, storerooms, shops and all quarters. It also includes the cost of artwork, e.g. paintings, prints, wall hangings etc.

Account 2123, Office Equipment includes the original cost of office equipment in offices, shops and all other quarters. Account 1220, Inventories includes the cost of material and supplies held in stock and inventories of goods held for resale or lease.

Account 2681.1,9, Land and Buildings and Other are: amounts recorded in this account at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

Account 2682.1, Land & Buildings, this account shall include the original cost of lease hold improvements made to telecommunications plant held under a capital or operating lease, which are subject to amortization treatment. The investment in these accounts are converted to expenses to calculate a factor. This is done by multiplying the investment dollars by an Ad Valorem factor, and Capital Costs (Cost of Money, Income Taxes and Depreciation) where applicable. These investments were also adjusted by a Current Cost to Book Cost ratio, to bring expenses to study year.

Adjustments – General Support Assets

The investment dollars in each account were reallocated (adjusted) using the Rent Compensation Study, done by the Accounting Standards Group. It takes into account perceived usage in all fourteen states, as well as employee head count and what work is done in each state by the employee body. The total re-allocated investment by state is divided into the USWC investment to calculate a percent. That percent is multiplied times the USWC investment and distributed to the states. These adjustments are then what is shown under the 'adjustment' column. The sum of these accounts is then carried forward to the 'Factor Development - Section A1' worksheet.

General Purpose Computers

The numerator used to develop the General Purpose Computers expense factor is taken directly from the MR2A and MR5 worksheet and appears on the worksheet titled 'Asset Related Expense - Section D'. The following is a description of what is included in each account:

Account 2124, General Purpose Computers includes the original cost of computers and peripheral devices which are designed to perform general administrative information processing activities.

Account 2681.3, Capital Leases-Computers. The amounts recorded in this account at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

Account 2682.2 Computer Leasehold Improvements, this account shall include the original cost of lease hold improvements made to telecommunications plant held under a capital or operating lease, which are subject to amortization treatment. The investment in these accounts is converted to expenses to calculate a factor. This is done by multiplying the investment dollars by an Ad Valorem factor, and Capital Costs (Cost of Money, Income Taxes and Depreciation) where applicable. These investments were also adjusted by a Current Cost to Book Cost ratio, to bring expenses to study year where applicable.

Adjustments – General Purpose Computers

Account 2124 has been adjusted from what is shown on the books of the company. This amount is shown under the column titled adjustments. The booked investment minus the amount removed from the columns titled 'Other Studies' and 'Adjustments' are then multiplied by a CC/BC ratio. They are then multiplied by Capital Costs and Ad Valorem Tax to acquire the expenses associated with computer investment.

The computer investment dollars were reallocated (adjusted) using the Rent Compensation Study. It takes into account perceived usage in all fourteen states, as well

as employee head count and what work is done in each state by the employee body. The total reallocated investment by state is divided into the USWC investment to calculate a percent. That percent is multiplied by the USWC investment and distributed to the states. These adjustments are then what is shown under the 'Adjustment' column. The sum of these accounts is then carried forward to the 'Factor Development - Section A1' worksheet. This factor also includes account 6124 Computer Expense from the books of the company (MR5): These expenses carry over to the 'Asset Related Expense – Section D'. The expenses are actually calculated under 'Operating Expenses – Section B'.

The final dollars included in this factor are accounts 2681.3 (Capital Leases Computers) and account 2682.2 (Leasehold Improvements). They are carried over from the company report MR2A and calculated under 'Asset Related Expense - Section D'. These investments have been adjusted using the same procedure as described for computer investment 2124. They have been multiplied by Ad Valorem, Income Tax, Cost of Money and Depreciation factors.

Uncollectibles

The numerator used to develop the Uncollectible factor is taken directly from the Company MR5 report which is displayed as worksheet 'MR5' in the Expense Factors Module. The expense dollars associated with uncollectibles are carried forward from the 'MR5 worksheet to the 'Operating Expense - Section B' worksheet. Section B then carries these dollars straight to the sheet named 'Factor Development - Section A1' worksheet for final development. The following is a description of what is included in each account:

Account 5280.8 Uncollectible Non-regulated Revenues this account shall be charged with amounts of non-regulated revenues previously credited to sub accounts which have been proved to be uncollectible.

Account 5301.1 Interstate – End User includes accruals to a reserve to provide for anticipated right-offs of interstate revenue. Amounts are debited herein and Account 1181.11 is credited.

Account 5301.2 Intrastate – End User includes accruals to a reserve to provide for anticipated right-offs of intrastate revenue. Amounts are debited herein and Account 1181.12 is credited.

Accounts 5301.3 Equal Access / Network Reconfiguration – Direct Charge includes any realized uncollectible revenues due from AT&T for the provisioning of equal access.

Account 5301.4 Interstate - Carrier Access Services (Uncollectibles) include the accruals to the reserve to provide for the write-offs of uncollectible interstate operating revenues arising from Carrier Access Billing System (CABS) services.

Account 5301.5 Intrastate - Carrier Access Services (Uncollectibles) include the accruals to the reserve for the write-offs of uncollectible intrastate operating revenues arising from CABS services.

Account 5302 Uncollectible Revenue Other - this account shall be charged with amounts concurrently credited to account 1190, Other Accounts Receivable, or to Account 1191, Accounts Receivable Allowance - Other, when such allowance is maintained.

Accounting and Finance Expense

The numerator used to develop the Accounting & Finance expense factor is taken directly from the Company MR5 report which is displayed as worksheet 'MR5' in the Expense Factors Module. The expense dollars associated with the Accounting & Finance expenses are carried forward from the 'MR5' worksheet to the 'Operating Expense - Section B' worksheet. Section B multiplies the EOY dollars for account 6721 by productivity and inflation to bring the expenses to study year. The result is carried to the 'Factor Development - Section A1' worksheet.

Account 6721, Accounting and Finance Expense, includes the costs incurred in providing accounting and financial services.

Human Resources Expense

The numerator used to develop the Human Resource expense factor is taken directly from the Company MR5 report which is displayed as worksheet 'MR5' in the Expense Factors Module. The expense dollars associated with the Human Resource Expenses are carried forward from the 'MR5' worksheet to the 'Operating Expense - Section B' worksheet. Section B multiplies the EOY dollars for account 6723 by productivity and inflation to bring the expenses to study year. The result is carried to the 'Factor Development - Section A1' worksheet.

Account 6723, Human Resources Expense, includes the costs incurred in performing personnel administration activities such as Equal Employment Opportunity and Affirmative Action Programs, General Employment Services, Employee data for forecasting, planning and reporting etc..

Intangibles

The numerator used to develop the Intangibles (account 2690) factor are taken directly from the Company MR2A report and carried over to 'Asset Related Expenses - Section

D. These investment dollars are multiplied by Cost of Money and Income Tax to develop expenses associated with these investments. The result is carried to the 'Factor Development - Section A1' worksheet.

Account 2690, includes the cost of organizing and incorporating the company, the original cost of government franchise, the original cost of patent rights, and other intangible property having a life of more than one year and use in connection with the company's telecommunications.

Common

There are several factors that are developed in the category called common. They are: Executive Expense, Planning Expense, External Relations Expense, Information Management Expense, Legal Expense, Other Procurement Expense, Research and Development Expense, and Other General and Administrative Expense.

Executive Expense

Executive Expense, account 6711: Included in this numerator is executive expense which shall include costs incurred in formulating corporate policy and in providing overall administration and management. The expenses for this factor can be found in Operating Expenses - Section B worksheet. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Planning Expense

Planning Expense, account 6712: Included in this factor are costs incurred in developing and evaluating long-term courses of action for the future operations of the Company. This includes performing corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis. The expenses for this factor can be found in Operating Expenses - Section B worksheet. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

External Relations Expense

External Relations Expense, account 6722: Included in this factor is costs incurred in maintaining relations with government, regulators, other companies and the general public. The expenses for this factor can be found in Operating Expenses - Section B worksheet. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Information Management Expense

Information Management Expense, account 6724: Included in this factor are costs incurred in planning, developing, testing, implementing and maintaining data bases and application systems for general purpose computers. The expenses for this factor can be

found in Operating Expenses - Section B worksheet. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Legal Expense

Legal Expense, account 6725: Included in this factor is costs incurred in providing legal services. This includes conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. The expenses for this factor can be found in Operating Expenses - Section B worksheet. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Other Procurement Expense

Other Procurement Expense, account 6726: Included in this factor are costs incurred in procuring material and supplies, including office supplies. The expenses for this factor can be found in the Operating Expenses - Section B worksheet. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Research and Development Expense

Research and Development Expense, account 6727: Included in this factor are costs incurred in making planned search or critical investigation aimed at discovery of new knowledge. The expenses for this factor can be found in the Operating Expenses - Section B worksheet. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Other General and Administrative Expenses

Other General and Administrative Expenses, account 6728: Included in this factor are costs incurred in performing general administrative activities not directly charged to the user, and not provided for in other accounts. This includes providing general reference libraries, food services, archives, general security investigation services, operating official private branch exchanges in the conduct of the business and telecommunications and mail services. The expenses for this factor can be found in the Operating Expenses - Section B worksheet. These expenses are also adjusted with cost savings and inflation factors to bring expenses to study year.

Denominator Development

The Denominator for the Network Support, Directly Attributable and Common Factors is the same. It includes the direct costs and the directly assigned numerator expenses. It is calculated by taking expenses directly from the Company MR5 report which is displayed as worksheet 'MR5' in the Expense Factors Module. The expense dollars associated with Central Office Switching, Operator System, Central Office Transmission, Info Origination/Termination, Cable & Wire facilities, Conduit System, Total Plant Non-Specific Operating expense, and Services and a portion of Network Operations are carried

forward from the 'MR5' worksheet to the 'Operating Expense - Section B' worksheet. Section B multiplies the EOY dollars for accounts 6211, 6212, 6215, 6220, 6231, 6232, 6311, 6341, 6351, 6362, 6411, 6421, 6422, 6423, 6424, 6426, 6431, 6441, 6531, 6533, 6620 by productivity and inflation to bring the expenses to study year. The results are then summed and carried forward to the Denominator Development - Section A2 worksheet.

The denominator also includes expenses associated with investments. They are calculated by taking investments from Central Office Switching, Central Office Equipment, Station Apparatus, Customer Premises Wiring, Large Private Branch Exchanges, Public Telephone Equipment, other Terminal Equipment from the Company MR2A report which is displayed as worksheet MR2A in the Expense Factors Module. They are then carried forward to the sheet designated Investment and Capital Costs - Section D. These investments are multiplied by Ad Valorem Tax, Depreciation, Income Tax and Cost of Money factors. The results are then summed and carried forward to the Denominator Development - Section A2 worksheet.

Factor Summary - Retail

Jurisdiction: U S WEST **Depreciation Group: Economic Lives**

Investment Related Factors

Maintenance Factors	Expense Related Account Code(s)	Investment Related Account Code(s)	Field Reporting Code(s) (FRC)	Factor
Land & Building	6121	2111/2121	20,110	**0.036482**
Outside Plant				
Poles	6411	2411	1,11	**0.066123**
Aerial Cable				
- Metallic	6421.1	2421.11,.21	52	**0.119570**
- Nonmetallic	6421.2	2421.12,.22	852	**0.012509**
Underground Cable				
- Metallic	6422.1	2422.11,.21	5	**0.038517**
- Nonmetallic	6422.2	2422.12,.22	85	**0.013365**
Buried Cable				
- Metallic	6423.1	2423.11.,21	45	**0.067005**
- Nonmetallic	6423.2	2423.12,.22	845	**0.014804**
Submarine Cable				
- Metallic	6424.1	2424.11,.21	6	**0.010792**
- Nonmetallic	6424.2	2424.12,.22	86	**0.010347**
Intrabuilding Network Cable Expense				
- Metallic	6426.1	2426.1	62	**0.065876**
- Nonmetallic	6426.2	2426.2	862	**0.013536**
Aerial Wire	6431	2431	3	**0.018295**
Underground Conduit	6441	2441	4	**0.006459**
Central Office Equipment				
Digital Electronic	6212	2212	377	**0.027112**
Operator Systems	6220	2220	117	**0.037291**
Radio Systems Expense	6231	2231	67	**0.013453**
Circuit Equipment				
- Digital Circuit Equipment	6232.1	2232.1	157	**0.009855**
- Subscriber Pair Gain - Digital	6232.2	2232.2	257	**0.015413**
- Subscriber Pair Gain - Digital (SONET)	6232.2	2232.2	257	**0.014854**
- Other Digital Equipment	6232.3	2232.3	357	**0.021526**
- Other Digital Equipment (SONET)	6232.3	2232.3	357	**0.020967**
- Subscriber Pair Gain - Analog	6232.4	2232.4	457	**0.030824**
- Other Analog Equipment	6232.5	2232.5	57	**0.073353**
Station Equipment				
Channel Term Equipment	6362.8	2362.8	858	**0.035894**

Factor Summary - Retail

Jurisdiction: U S WEST **Depreciation Group: Economic Lives**

Right To Use Fee (RTU)	6212	2212	377	**0.003793**
Ad Valorem	7240.1	2001		**0.008686**

Expense Related Factors

Commercial	**Related Account Codes**	**Factor**
Group 1 - Residence		
Product Management Expense	6611	**0.004986**
Sales Expense	6612	**0.000167**
Product Advertising Expense	6613	**0.009829**
Group 2 - BUS, Centrex, Pri. Ln., PBX, ISDN, Public, ACS		
Product Management Expense	6611	**0.017463**
Sales Expense	6612	**0.047521**
Product Advertising Expense	6613	**0.004387**
Group 3 - Interconnect, Carrier Features, PAL		
Product Management Expense	6611	**0.012230**
Sales Expense	6612	**0.004207**
Product Advertising Expense	6613	**0.000000**
Group 4 - Operator Services / DA		
Product Management Expense	6611	**0.037346**
Sales Expense	6612	**0.028116**
Product Advertising Expense	6613	**0.023618**
Group 5 - Toll		
Product Management Expense	6611	**0.005974**
Sales Expense	6612	**0.023664**
Product Advertising Expense	6613	**0.020260**
Group 6 - Billing & Collection		
Product Management Expense	6611	**0.037346**
Sales Expense	6612	**0.006711**
Product Advertising Expense	6613	**0.003918**
Group 7 - Listings, Features, IS, Misc.		
Product Management Expense	6611	**0.046265**
Sales Expense	6612	**0.110107**
Product Advertising Expense	6613	**0.048203**
Business Fees	7240.2-.9	**0.015622**

Factor Summary - Retail

Jurisdiction: U S WEST **Depreciation Group: Economic Lives**

Expense Related Factors (continued)

Network Support

Network Operations	6532, 34, 35	**0.054823**
Network Support Assets	2112 - 2116	**0.017109**

Directly Attributable

General Support Assets	2111, 21-23	**0.110081**
Computers	2124	**0.049269**
Uncollectible	5301, 5302	**0.011391**
Accounting and Finance Expense	6721	**0.011926**
Human Resources Expense	6723	**0.009007**
Intangibles	2690	**0.000184**

Common

6711,12,22,24-28 **0.145276**

Factor Development
Section A1

Jurisdiction: U S WEST
Study: Retail

Account	Numerator a	Source	Denominator b	Source	Factors c=a/b	Power (Sec. A1) d	Sub. Line Testing (Sec. A1) e	Interoffice Testing (Sec. A1) f	Total Factor g=sum(c:f)
Maintenance Factors									
Land & Building	192,323,092	Sec. B, 6121	5,271,763,961	Sec. C, 2111, 2121	0.036482	-	-	-	**0.036482**
Outside Plant									
Poles	15,285,088	Sec. B, 6411	231,161,360	Sec. C, 2411	0.066123	-	-	-	**0.066123**
Aerial Cable									
- Metallic	109,591,073	Sec. B, 6421.1	1,003,366,007	Sec. C, 2421.11,.21	0.109223	-	0.009230	0.001117	**0.119570**
- Nonmetallic	40,118	Sec. B, 6421.2	18,552,357	Sec. C, 2421.12,.22	0.002162	-	0.009230	0.001117	**0.012509**
Underground Cable									
- Metallic	59,295,615	Sec. B, 6422.1	2,104,913,089	Sec. C, 2422.11,.21	0.028170	-	0.009230	0.001117	**0.038517**
- Nonmetallic	1,592,472	Sec. B, 6422.2	527,596,725	Sec. C, 242212,.22	0.003018	-	0.009230	0.001117	**0.013365**
Buried Cable									
- Metallic	409,484,592	Sec. B, 6423.1	7,227,264,420	Sec. C, 2423.11,.21	0.056658	-	0.009230	0.001117	**0.067005**
- Nonmetallic	2,533,152	Sec. B, 6423.2	568,358,533	Sec. C, 2423.12,.22	0.004457	-	0.009230	0.001117	**0.014804**
Submarine Cable									
- Metallic	3,483	Sec. B, 6424.1	7,822,855	Sec. C, 2424.11,.21	0.000445	-	0.009230	0.001117	**0.010792**
- Nonmetallic	0	Sec. B, 6424.2	3,151,010	Sec. C, 2424.12,.22	0.000000	-	0.009230	0.001117	**0.010347**
Intrabuilding Network Cable Expense									
- Metallic	17,101,945	Sec. B, 6426.1	307,984,385	Sec. C, 2426.1	0.055529		0.009230	0.001117	**0.065876**
- Nonmetallic	33,565	Sec. B, 6426.2	10,526,005	Sec. C, 2426.2	0.003189		0.009230	0.001117	**0.013536**
Aerial Wire	618,617	Sec. B, 6431	33,814,070	Sec. C: 2431	0.018295	-	-	-	**0.018295**
Underground Conduit	10,834,673	Sec. B, 6441	1,677,501,562	Sec. C, 2441	0.006459	-	-	-	**0.006459**
Central Office Equipment									
Digital Electronic	112,524,048	Sec. B, 6212	4,683,824,850	Sec. C, 2212	0.024024	0.003088	-	-	**0.027112**
Operator Systems	1,191,601	Sec. B, 6220	34,839,225	Sec. C,-2220	0.034203	0.003088	-	-	**0.037291**
Radio Systems	3,921,940	Sec. B, 6231	424,123,491	Sec. C, 2231	0.009247	0.003088	-	0.001117	**0.013453**
Circuit Equipment									
- Digital Circuit Equipment	418,697	Sec. B, 6232.1	74,115,460	Sec. C, 2232.1	0.005649	0.003088	-	0.001117	**0.009855**
- Subscriber Pair Gain - Digital	32,167,191	Sec. B, 6232.2	2,870,163,136	Sec. C, 2232.2	0.011207	0.003088	-	0.001117	**0.015413**
- Subscriber Pair Gain - Digital (SONET)	32,167,191	Sec. B, 6232.2	2,870,163,136	Sec. C, 2232.2	0.011207	0.003088	-	0.000559	**0.014854**
- Other Digital Equipment	48,132,667	Sec. B, 6232.3	2,778,891,569	Sec. C, 2232.3	0.017321	0.003088	-	0.001117	**0.021526**
- Other Digital Equipment (SONET)	48,132,667	Sec. B, 6232.3	2,778,891,569	Sec. C, 2232.3	0.017321	0.003088	-	0.000559	**0.020967**
- Subscriber Pair Gain - Analog	1,791,329	Sec. B, 6232.4	67,296,320	Sec. C, 2232.4	0.026619	0.003088	-	0.001117	**0.030824**
- Other Analog Equipment	33,966,143	Sec. B, 6232.5	491,210,211	Sec. C, 2232.5	0.069148	0.003088	-	0.001117	**0.073353**
Station Equipment									
Channel Term Equipment	9,938,509	Sec. B, 6362	285,779,169	Sec. C, 2362.6	0.034777	-	-	0.001117	**0.035894**
Power and Testing									
Power	40,123,526	Sec. B, 6531	12,993,627,912	Sec. C, 2210, 2351	0.003088	-	-	-	-
Subscriber Line Testing	105,780,516	Sec. B, 41M &41T	11,461,024,996	Sec. C, 2421-2424	0.009230	-	-	-	-
Interoffice Testing	20,976,892	Sec. B, 14T	18,771,945,126	Sec. C:2231,32,62:2421-2424	0.001117	-	-	-	-
RTU - Digital Electronic Exp.	17,463,185	Sec. B, 6212-RTU	4,604,274,333	Sec. C, 2212-RTU	0.003793	-	-	-	**0.003793**
Ad Valorem (Property Taxes)	280,806,970	Sec. B, 7240.1	32,328,376,282	Sec. C, 2001	0.008686	-	-	-	**0.008686**

Factor Development
Section A1

Jurisdiction: U S WEST
Study: Retail

Account	Numerator	Source	Denominator	Source	Factors	Power (Sec. A1)	Sub. Line Testing (Sec. A1)	Interoffice Testing (Sec. A1)	Total Factor
Commerical									
Group 1 - Residence									
- Product Management	10,235,940	Sec. E, 6611	2,052,892,884	Sec. A2, Tot. Dir. Assigned Exp.	0.004986	-	-	-	0.004986
- Sales	343,449	Sec. E, 6612	2,052,892,884	Sec. A2, Tot. Dir. Assigned Exp.	0.000167	-	-	-	0.000167
- Advertising	20,177,204	Sec. E, 6613	2,052,892,884	Sec. A2, Tot. Dir. Assigned Exp.	0.009829	-	-	-	0.009829
Group 2 - BUS, Centrex, Pri. Ln., PBX, ISDN, Public, ACS									
- Product Management	48,835,996	Sec. E, 6611	2,796,602,772	Sec. A2, Tot. Dir. Assigned Exp.	0.017463	-	-	-	0.017463
- Sales	132,898,445	Sec. E, 6612	2,796,602,772	Sec. A2, Tot. Dir. Assigned Exp.	0.047521	-	-	-	0.047521
- Advertising	12,268,913	Sec. E, 6613	2,796,602,772	Sec. A2, Tot. Dir. Assigned Exp.	0.004387	-	-	-	0.004387
Group 3 - Interconnect, Carrier Features, PAL									
- Product Management	23,482,215	Sec. E, 6611	1,920,014,212	Sec. A2, Tot. Dir. Assigned Exp.	0.012230	-	-	-	0.012230
- Sales	8,077,785	Sec. E, 6612	1,920,014,212	Sec. A2, Tot. Dir. Assigned Exp.	0.004207	-	-	-	0.004207
- Advertising	0	Sec. E, 6613	1,920,014,212	Sec. A2, Tot. Dir. Assigned Exp.	0.000000	-	-	-	0.000000
Group 4 - Operator Services / DA									
- Product Management	880,183	Sec. E, 6611	22,747,852	Sec. A2, Tot. Dir. Assigned Exp.	0.038693	-	-	-	0.038693
- Sales	662,650	Sec. E, 6612	22,747,852	Sec. A2, Tot. Dir. Assigned Exp.	0.029130	-	-	-	0.029130
- Advertising	556,655	Sec. E, 6613	22,747,852	Sec. A2, Tot. Dir. Assigned Exp.	0.024471	-	-	-	0.024471
Group 5 - Toll									
- Product Management	3,794,553	Sec. E, 6611	635,193,498	Sec. A2, Tot. Dir. Assigned Exp.	0.005974	-	-	-	0.005974
- Sales	15,031,158	Sec. E, 6612	635,193,498	Sec. A2, Tot. Dir. Assigned Exp.	0.023664	-	-	-	0.023664
- Advertising	12,869,116	Sec. E, 6613	635,193,498	Sec. A2, Tot. Dir. Assigned Exp.	0.020260	-	-	-	0.020260
Group 6 - Billing & Collection									
- Product Management	1,539,059	Sec. E, 6611	45,360,811	Sec. A2, Tot. Dir. Assigned Exp.	0.033929	-	-	-	0.033929
- Sales	315,388	Sec. E, 6612	45,360,811	Sec. A2, Tot. Dir. Assigned Exp.	0.006953	-	-	-	0.006953
- Advertising	184,145	Sec. E, 6613	45,360,811	Sec. A2, Tot. Dir. Assigned Exp.	0.004060	-	-	-	0.004060
Group 7 - Listings, Features, IS, Misc.									
- Product Management	23,118,973	Sec. E, 6611	499,702,995	Sec. A2, Tot. Dir. Assigned Exp.	0.046265	-	-	-	0.046265
- Sales	55,020,680	Sec. E, 6612	499,702,995	Sec. A2, Tot. Dir. Assigned Exp.	0.110107	-	-	-	0.110107
- Advertising	24,086,971	Sec. E, 6613	499,702,995	Sec. A2, Tot. Dir. Assigned Exp.	0.048203	-	-	-	0.048203
Business Fees (Other Operating Taxes)	124,548,296	Sec. B, 7240.2-.9	7,972,515,025	Sec. A2, Business Fees	0.015622	-	-	-	0.015622

Factor Development
Section A1

Jurisdiction: U S WEST
Study: Retail

Account	Numerator	Source	Denominator	Source	Factors	Power (Sec. A1)	Sub. Line Testing (Sec. A1)	Interoffice Testing (Sec. A1)	Total Factor
Network Support									
Network Operations	437,073,483	Sec. B: 6532,34,35	7,972,515,025	Sec. A2	0.054823	-	-	-	0.054823
Network Support Assets	136,399,402	Sec. D, 2112-2116	7,972,515,025	"	0.017109	-	-	-	0.017109
Directly Attributable									
General Support Assets	877,619,612	Sec. D, 2111, 2121-23,1220,2681.1,.9,2682.	7,972,515,025	"	0.110081	-	-	-	0.110081
General Purpose Computers	392,800,106	Sec. D, 2124,2681.3,2682.2	7,972,515,025	"	0.049269	-	-	-	0.049269
Uncollectible	90,817,701	Sec. B, 5301.4,.5;5302	7,972,515,025	"	0.011391	-	-	-	0.011391
Accounting and Finance Expense	95,077,354	Sec. B, 6721	7,972,515,025	"	0.011926	-	-	-	0.011926
Human Resources Expense	71,811,275	Sec. B, 6723	7,972,515,025	"	0.009007	-	-	-	0.009007
Intangibles	1,464,926	Sec. D, 2690	7,972,515,025	"	0.000184	-	-	-	0.000184
Total	2,103,063,859								
Common									
Executive Expense	106,072,137	Sec. B 6711	7,972,515,025	Sec. A2	0.013305	-	-	-	0.013305
Planning Expense	7,764,186	Sec. B 6712	7,972,515,025	"	0.000974	-	-	-	0.000974
External Relations Expense	71,651,019	Sec. B 6722	7,972,515,025	"	0.008987	-	-	-	0.008987
Information Management Expense	660,680,927	Sec. B 6724	7,972,515,025	"	0.082870	-	-	-	0.082870
Legal Expense	60,413,673	Sec. B 6725	7,972,515,025	"	0.007578	-	-	-	0.007578
Other Procurement Expense	22,785,458	Sec. B, 6726	7,972,515,025	"	0.002858	-	-	-	0.002858
Research and Development Expense	3,862,026	Sec. B, 6727	7,972,515,025	"	0.000484	-	-	-	0.000484
Other General and Admin Exp	224,984,109	Sec. B, 6728	7,972,515,025	"	0.028220	-	-	-	0.028220
Total Common									0.145276

Denominator Development
Section A2

Study: Retail
Jurisdiction: U S WEST

	Expense Amount	Source
Directly Attributable		
Operating Expenses		
Central Office Switching Expense	222,601,356	Sec. B, 6210
Operator Systems Expense	911,040	Sec. B, 6220
Central Office Transmission Expense	121,729,525	Sec. B, 6230
Info Origination/Termination Expense	190,403,213	Sec. B, 6310
Cable and Wire Facilities Expenses	645,691,359	Sec. B, 6410
Aerial Wire Expense	618,617	Sec. B, 6431
Conduit System Expense	10,834,673	Sec. B, 6441
Total Plant Non-specific Operating Expense	188,641,440	Sec. B, 6531, 33
Services Expense	789,551,886	Sec. B, 6620
Network Administration - Other Studies	25,663,260	Sec. B, 6532,34,35
Investment Expenses		
Central Office Switching	49,685,141	Sec. D, 2681.4
Central Office Equipment	2,554,917,124	Sec. C, 2210, 2232
Station Apparatus	108,426	Sec. C, 2311
Customer Premises Wiring	-	Sec. C, 2321
Large Private Branch Exchanges	5,059	Sec. C, 2341
Public Telephone Terminal Equipment	27,605,089	Sec. C, 2351
Other Terminal Equipment	74,356,441	Sec. C, 2362
Total Other Studies	364,580,007	Sec. D, Page 4
Total Outside Plant	2,423,804,400	Sec. C, 2411,2421-24,31,41
Ad Valorem	280,806,970	Sec. B, 7240.1
Total Directly Attributed Expenses	7,972,515,025	Sec A2, sum of Exp.
Total Commercial Marketing Expense	6,296,250,719	Adj. Sheet, Commercial Marketing (Sec. E) - Denominator
Commercial Marketing Denominator Ratio	1.266232	Sec. A2
Commercial Marketing Denominator Inflation Adj.	0.266232	Sec. A2

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 5
Study: Retail

Operating Expenses
Section B

Account Description	Account No. or FRC	EOY '97 Bk. Opr. Exp.	Adjustments or Not Used	Cost Savings Amount	Inflation Amount	Denominator Base	Adjustments or Not Used	Other Studies (Direct)	Numerator Base
a	b	c	d	e=(c+d) *Factor	f=(c+d) *Factor	g=sum(c:f)	h	i	j=(g+h+i)
Central Office Switching Expense	**6210**	**225,762,025**				**222,601,356**			
Analog Electronic Expense	6211	48,262,921		(2,413,146)	1,737,465	47,587,240	(47,587,240)		0
Digital Electronic Expense	6212	177,116,652		(8,855,833)	6,376,199	174,637,019		(62,112,970)	112,524,048
Electro-Mechanical Expense	6215	382,452		(19,123)	13,768	377,098	(377,098)		0
Digital Electronic Expense - RTU	6212 (377)	17,711,141		(885,557)	637,601	17,463,185			17,463,185
Operator Systems Expense	6220	923,976		(46,199)	33,263	911,040		280,561	1,191,601
Central Office Transmission Expense	**6230**	**123,457,936**				**121,729,525**			
Radio Systems Expense	6231	4,540,635		(227,032)	163,463	4,477,067	(336,610)	(218,516)	3,921,940
Circuit Equipment Expense	6232			0	0				
- Digital Circuit Equipment Expense	6232.1	424,642		(21,232)	15,287	418,697			418,697
- Subscriber Pair Gain - Digital Expense	6232.2	32,625,182		(1,631,259)	1,174,507	32,168,430		(1,239)	32,167,191
- Other Digital Equipment Expense	6232.3	49,222,480		(2,461,124)	1,772,009	48,533,366		(400,698)	48,132,667
- Subscriber Pair Gain - Analog Expense	6232.4	1,816,764		(90,838)	65,403	1,791,329			1,791,329
- Other Analog Equipment Expense	6232.5	34,449,555		(1,722,478)	1,240,184	33,967,261		(1,118)	33,966,143
- Other Equipment Expense	6263.6-.8	378,677		(18,934)	13,632	373,375	(373,375)		0
Info Origination/Termination Expense	**6310**	**193,106,707**				**190,403,213**			
Station apparatus Expense	6311	24,054,314		(1,202,716)	865,955	23,717,554	(23,717,554)		0
Large Private Branch Exchange Expense	6341	11,829,788		(591,489)	425,872	11,664,171	(11,664,171)		0
Public Tele Terminal Equipment Expense	6351	33,454,196		(1,672,710)	1,204,351	32,985,837	(32,985,837)		0
Other Terminal Equipment Expense	6362	123,768,409		(6,188,420)	4,455,663	122,035,651		(112,097,142)	9,938,509
Cable and Wire Facilities Expenses	**6410**	**654,859,391**				**645,691,359**			
Poles Expense	6411	15,502,117		(775,106)	558,076	15,285,088			15,285,088
Aerial Cable Expense									
Metallic	6421.1	120,688,522		(6,034,426)	4,344,787	118,998,883		(9,407,810)	109,591,073
Nonmetallic	6421.2	40,688		(2,034)	1,465	40,118			40,118
Underground Cable Expense									
Metallic	6422.1	60,137,540		(3,006,877)	2,164,951	59,295,615			59,295,615
Nonmetallic	6422.2	1,615,084		(80,754)	58,143	1,592,472			1,592,472
Video Broadband	6422,3,.4	2,022		(101)	73	1,993		(1,993)	0
Buried Cable Expense									
Metallic	6423.1	436,738,628		(21,836,931)	15,722,591	430,624,287		(21,139,695)	409,484,592
Nonmetallic	6423.2	2,569,120		(128,456)	92,488	2,533,152			2,533,152
Video Broadband	6423,3,.4	183,323		(9,166)	6,600	180,757		(180,757)	0
Submarine Cable Expense									
Metallic	6424.1	3,533		(177)	127	3,483			3,483
Nonmetallic	6424.2	0		0	0	0			0
Video Broadband	6424,3,.4	0		0	0	0		0	0
Intrabuilding Network Cable Expense									
Metallic	6426.1	17,344,772		(867,239)	624,412	17,101,945			17,101,945
Nonmetallic	6426.2	34,042		(1,702)	1,226	33,565			33,565
Aerial Wire Expense	6431	627,400		(31,370)	22,586	618,617			618,617
Conduit System Expense	6441	10,988,512		(549,426)	395,586	10,834,673			10,834,673

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 5
Study: Retail

Operating Expenses
Section B

Account Description	Account No. or FRC	EOY '97 Bk. Opr. Exp.	Adjustments or Not Used	Cost Savings Amount	Inflation Amount	Denominator Base	Adjustments or Not Used	Other Studies (Direct)	Numerator Base
a	b	c	d	e=(c+d) *Factor	f=(c+d) *Factor	g=sum(c:f)	h	i	j=(g+h+i)
Total Plant Non-specific Operating Expense	**6531,33**	**191,319,919**				**188,641,440**			
Power Expense	6531	40,693,231		(2,034,662)	1,464,956	40,123,526			40,123,526
Sub. Line Testing - Other & Reported	6533.1	107,282,471		(5,364,124)	3,862,169	105,780,516			105,780,516
Inward Movement Service Order Testing	6533.2	22,069,479		(1,103,474)	794,501	21,760,506		(21,760,506)	0
Interoffice Testing	6533.4	21,274,738		(1,063,737)	765,891	20,976,892			20,976,892
Network Support Expense									
Motor Vehicle Expense	6112	6,145,403		(307,270)	221,235	6,059,367			6,059,367
Aircraft Expense	6113	58,981		(2,949)	2,123	58,155			58,155
Special Purpose Vehicle Expense	6114	68,677		(3,434)	2,472	67,716			67,716
Garage Work Equipment Expense	6115	493,149		(24,657)	17,753	486,245			486,245
Other Work Equipment Expense	6116	1,751,016		(87,551)	63,037	1,726,501			1,726,501
General Support Expense									
Land and Building Expenses - Maint.	6121	195,253,451		(9,762,673)	7,029,124	192,519,903	0	(196,811)	192,323,092
Furniture and Artworks Expense	6122	27,125,579		(1,356,279)	976,521	26,745,821			26,745,821
Office Equipment Expense	6123	25,440,435		(1,272,022)	915,856	25,084,268			25,084,268
General Purpose Computers Expense	6124	200,342,128		(10,017,106)	7,212,317	197,537,338			197,537,338
Network Engineering/Operations/Admin		**469,307,042**				**462,736,743**		(25,663,260)	**437,073,483**
Network Administration	6532	32,634,476		(1,631,724)	1,174,841	32,177,593			
Network Operations	6534	295,346,929		(14,767,346)	10,632,489	291,212,072			
Engineering	6535	141,325,637		(7,066,282)	5,087,723	139,347,078			
Access	6540		0	0	0		0		0
Interstate	6540.1	7,538,171	(7,538,171)	0	0		0		0
Intrastate	6540.2	203,408,362	(203,408,362)	0	0		0		0
Intrastate Wireless Wholesale	6540.3	4,538,834	(4,538,834)	0	0		0		0
Interstate Competitive Local Exch Carriers	6540.4	N/A							
Intrastate Competitive Local Exch Carriers	6540.5	11,500,022							
Other									
Prop Held for Future Telecomm Use Exp	6511	0	0	0	0		0		0
Provisioning Exp	6512	10,699,877	(10,699,877)	0	0		0		0
Nonregulated	5280.4	454,684	(454,684)	0	0		0		0

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 5
Study: Retail

Operating Expenses
Section B

Account Description	Account No. or FRC	EOY '97 Bk. Opr. Exp.	Adjustments or Not Used	Cost Savings Amount	Inflation Amount	Denominator Base	Adjustments or Not Used	Other Studies (Direct)	Numerator Base
a	b	c	d	e=(c+d) *Factor	f=(c+d) *Factor	g=sum(c:f)	h	i	j=(g+h+i)
Selling, General & Administrative									
Marketing									
Product Management Expense	6611	149,669,186	(149,669,186)	0	0	0			0
Sales Expense	6612	283,674,115	(283,674,115)	0	0	0			0
Product Advertising Expense	6613	172,794,165	(172,794,165)	0	0	0			0
Services	**6620**					**789,551,886**			
Call Completion Services Expense	6621	37,749,922		(1,887,496)	1,358,997	37,221,423		(37,221,423)	0
Number Services Expense	6622	102,336,253		(5,116,813)	3,684,105	100,903,545		(100,903,545)	0
Customer Services Expense	6623	660,676,388		(33,033,819)	23,784,350	651,426,918		(651,426,918)	0
Corporate Operations									
Executive Expense	6711	107,578,232		(5,378,912)	3,872,816				106,072,137
Planning Expense	6712	7,874,428		(393,721)	283,479				7,764,186
Accounting and Finance Expense	6721	96,427,337		(4,821,367)	3,471,384				95,077,354
External Relations Expense	6722	72,668,377		(3,633,419)	2,616,062				71,651,019
Human Resources Expense	6723	72,830,908		(3,641,545)	2,621,913				71,811,275
Information Management Expense	6724	670,061,792		(33,503,090)	24,122,225				660,680,927
Legal Expense	6725	61,271,473		(3,063,574)	2,205,773				60,413,673
Other									
Other Procurement Expense	6726	23,108,984		(1,155,449)	831,923				22,785,458
Research and Development Expense	6727	3,916,862		(195,843)	141,007				3,862,026
Other General and Admin Exp	6728	228,178,609		(11,408,930)	8,214,430				224,984,109
Provision for Uncoll Notes Rec	6790	0	0	0	0		0		0
Property Taxes	7240.1	280,806,970		0	0	280,806,970			280,806,970
Other Operating Taxes	7240.2-.9	124,548,296		0	0	124,548,296			124,548,296
Uncollectible Rev - Interconnect	5301.4,.5;5302	3,631,606	(3,631,606)	0	0	0			0
Uncollectible Rev - Telecommunications	5301.1-3;5280.8	90,817,701		0	0	90,817,701			90,817,701
Other Operating Income and Expense	7100	13,702,219	(13,702,219)	0	0	0	0		0
Depreciation & Amortization Expense	6560	2,534,826,894	(2,534,826,894)	0	0	0	0		0
	Total	8,364,322,391							

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 5
Study: Retail

Operating Expenses
Section B

Account Description	Account No. or FRC	EOY '97 Bk. Opr. Exp.	Adjustments or Not Used	Cost Savings Amount	Inflation Amount	Denominator Base	Adjustments or Not Used	Other Studies (Direct)	Numerator Base
a	b	c	d	e=(c+d) *Factor	f=(c+d) *Factor	g=sum(c:f)	h	i	j=(g+h+i)
Adjustment Development									
Central Office Switching Expense	***6210***								
Digital Electronic Exp. (Other Studies)	*6212*	*62,994,899*		*(3,149,745)*	*2,267,816*	*62,112,970*			
Operator Systems Exp. (Other Studies)	*6220*	(284,545)		14,227	(10,244)	(280,561)			
Central Office Transmission Expense	***6230***								
Radio Systems Expense (Not Used)	*6231*	*341,390*		(17,069)	12,290	336,610			
Radio Systems Expense (Other Studies)	*6231*	*221,619*		(11,081)	7,978	218,516			
Sub. Pair Gain - Dig. Exp (Other Studies)	*6232.2-257RTU*	*1,256*		(63)	45	1,239			
Other Dig. Equip. Exp (Other Studies)	*6232.3-357RTU*	*406,388*		(20,319)	14,630	400,698			
Other Analog Eqpt. Exp. (Other Studies)	*6232.5-57RTU*	1,134		(57)	41	1,118			
Info Origination/Termination Expense									
Other Ter. Equip. Exp (Other Studies)	*6362*	*113,688,785*		*(5,684,439)*	*4,092,796*	*112,097,142*			
Cable and Wire Facilities Expenses									
Aerial Cable Metallic Exp. (Other Studies)	*6421.1*	*9,541,389*		*(477,069)*	*343,490*	*9,407,810*			
Buried Cable Metallic Exp. (Other Studies)	*6423.1*	*21,439,853*		*(1,071,993)*	*771,835*	*21,139,695*			
General Support Expense									
Land and Building Exp. (Other Studies)	*6121*	*199,605*		*(9,980)*	*7,186*	*196,811*			
Total Year 96 Adjusted Operating Rents	*6121.13*	*0*		*0*	*0*	*0*			
Network Engineering/Operations/Admin									
Network Administration - Adjustment	*6532 - Adj*	*26,027,647*		*(1,301,382)*	*936,995*	*25,663,260*			

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Investments and Capital Costs - Section C

Account Description	Account No. or FRC	EOY '97 Book Inv.	CC/BC Adj. Amount	Future Use	Not Used	Adjustments	Maint. Factor Base
a	b	c	d=c*Adj	e	f	g	h=sum(c:g)
Land	2111	100,046,362	121,941,031			1	221,987,395
Buildings	2121	2,276,254,281	2,774,401,663			(879,377)	5,049,776,566
Central Office Equipment	**2210, 2232**	**12,876,480,131**					
Analog Electronic Switching	2211	1,274,548,376	0		(1,274,548,376)		0
Digital Electronic Switching	2212	4,817,699,056	0			(133,874,206)	4,683,824,850
Electro-Mechanical Switching	2215	0	0		0		0
Operator Systems	2220	34,839,225	0				34,839,225
Radio Systems	2231	432,419,112	0			(8,295,621)	424,123,491
Circuit Equipment	2232						
Digital Circuit Equipment Expense	2232.1	74,115,460	0				74,115,460
Subscriber Pair Gain - Digital Expense	2232.2	2,870,163,136	0				2,870,163,136
Other Digital Equipment Expense	2232.3	2,778,891,569	0				2,778,891,569
Subscriber Pair Gain - Analog Expense	2232.4	67,296,320	0				67,296,320
Other Analog Equipment Expense	2232.5	491,210,211	0				491,210,211
Embedded Tools and Test Sets	2232.6	0	0		0		0
Video Broadband - Analog	2232.7	25,565,854	0		(25,565,854)		0
Video Broadband - Digital	2232.8	9,731,811	0		(9,731,811)		0
Digital Electronic Switching - RTU	*2212-RTU*	4,604,274,333	0				4,604,274,333
Station Apparatus	2311	538,549	0		(538,549)		0
Customer Premises Wiring	2321	0	0		0		0
Large Private Branch Exchanges	2341	25,128	0		(25,128)		0
Public Telephone Terminal Equipment	2351	117,147,781	0		(117,147,781)		0
Other Terminal Equipment	**2362**	**286,609,552**					
Inside Wire	2362.2	830,383	0		(830,383)		0
Video Broadband	2362.6	0	0		0		0
Subscriber Pair Gain	2362.7	0	0		0		0
Analog Network Chann Term Equip	2362.3,.8,.9	285,779,169	0				285,779,169

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
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Investments and Capital Costs - Section C

Account Description	Account No. or FRC	EOY '97 Book Inv.	CC/BC Adj. Amount	Future Use	Not Used	Adjustments	Maint. Factor Base
a	b	c	d=c*Adj	e	f	g	h=sum(c:g)
Poles	2411	231,177,793	0			(16,433)	231,161,360
Aerial Cable	2421						
Metallic	2421.11,.21	1,003,366,007	0				1,003,366,007
Nonmetallic	2421.12,.22	18,552,357	0				18,552,357
Video Broadcast	2421.13,.14	0					
Underground Cable	2422						
Metallic	2422.11,.21	2,104,913,089	0				2,104,913,089
Nonmetallic	2422.12,.22	527,596,725	0				527,596,725
Video Broadcast - Metallic	2422.13	2,928					
Video Broadcast - Nonmetallic	2422.14	4,110,004	0		(4,110,004)		0
Buried Cable	2423						
Metallic	2423.11,.21	7,227,264,420	0				7,227,264,420
Nonmetallic	2423.12,.22	568,358,533	0				568,358,533
Video Broadcast - Metallic	2423.13	46,686,605	0		(46,686,605)		0
Video Broadcast - Nonmetallic	2423.14	1,302,546	0		(1,302,546)		0
Submarine Cable	2424						
Metallic	2424.11,.21	7,822,855	0				7,822,855
Nonmetallic	2424.12,.22	3,151,010	0				3,151,010
Video Broadcast - Metallic	2424.13	0					
Video Broadcast - Nonmetallic	2424.14	0					
Intrabuilding Network Cable	2426						
Metallic	2426.1	307,984,385	0				307,984,385
Nonmetallic	2426.2	10,526,005	0				10,526,005
Video Broadcast - Metallic	2426.3	17,066	0		(17,066)		0
Video Broadcast - Nonmetallic	2426.4	3,359	0		(3,359)		0
Aerial Wire	2431	33,814,070	0				33,814,070
Conduit System	2441	1,678,560,274	0			(1,058,712)	1,677,501,562
Total Telephone Plant In Service	Sec. C only	29,432,311,813	-		-	-	-
Total Telephone Plant In Service	Sec. D only	2,896,064,469	-		-	-	-
Total Telephone Plant In Service	**2001**	**32,328,376,282**	-		-	-	-
Power	2210, 32, 51	12,993,627,912	0				12,993,627,912
Subscriber Line Testing	2421-2424	11,779,535,386	0			0	11,461,024,996

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Investments and Capital Costs - Section C

Account Description	Account No. or FRC	EOY '97 Book Inv.	CC/BC Adj. Amount	Future Use	Not Used	Adjustments	Maint. Factor Base
a	b	c	d=c*Adj	e	f	g	h=sum(c:g)
Interoffice Testing	2231,32,62:2421-2424	18,780,240,746	0			(8,295,621)	18,771,945,126

Adjustment Development

Land							
Land Adj for Rent Comp.		*1*	*1*		*1*		
Buildings							
Video Broadband - Joint (Adjustments)	*2121 - 610C*	*396,321*	*483,054*		*(879,376)*		
Building Adj for Rent Comp. (Adjustments)	*2121*	*(1)*	*(1)*		*(2)*		
Central Office Equipment							
Voice Messaging (Adjustments)	*2212 - 9007C*	*133,874,206*	*0*		*(133,874,206)*		
Radio Systems - Other	*2231*	*8,295,621*	*0*		*(8,295,621)*		
Poles							
Poles (Adjustments)	*2411*	*16,433*	*0*		*(16,433)*		
Conduit System							
Video Broadband - Joint	*504C*	*1,058,712*	*0*		*(1,058,712)*		

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Investments and Capital Costs - Sec. C

Account Description	Account No. or FRC	Adj. Factor Base	Ad Valorem	Depreciation Expense	Cost of Money Exp.	Income Tax Exp.	Total Exp.
a	b	i=sum(c:e)	j=i*Ad V.	k=i*Dep.	l=i*COM	m=i*IT	n=sum(j:m)
Land	2111						
Buildings	2121						
Central Office Equipment	**2210, 2232**	**12,876,480,131**					**2,554,917,124**
Analog Electronic Switching	2211	1,274,548,376	11,070,727	136,704,666	63,904,417	36,449,185	248,128,996
Digital Electronic Switching	2212	4,817,699,056	41,846,534	516,733,578	241,553,992	137,775,238	937,909,342
Electro-Mechanical Switching	2215	0	0	0	0	0	0
Operator Systems	2220	34,839,225	302,614	4,197,460	1,755,504	1,001,287	7,256,865
Radio Systems	2231	432,419,112	3,755,992	37,298,006	24,879,491	14,190,525	80,124,014
Circuit Equipment	2232						
Digital Circuit Equipment Expense	2232.1	74,115,460	643,767	8,881,603	3,656,896	2,085,785	15,268,051
Subscriber Pair Gain - Digital Expense	2232.2	2,870,163,136	24,930,237	321,605,970	143,058,055	81,596,075	571,190,337
Other Digital Equipment Expense	2232.3	2,778,891,569	24,137,452	311,378,857	138,508,790	79,001,309	553,026,408
Subscriber Pair Gain - Analog Expense	2232.4	67,296,320	584,536	10,165,323	3,432,071	1,957,552	16,139,481
Other Analog Equipment Expense	2232.5	491,210,211	4,266,652	74,198,859	25,051,421	14,288,588	117,805,521
Embedded Tools and Test Sets	2232.6	0	0	0	0	0	0
Video Broadband - Analog	2232.7	25,565,854	222,065	3,861,803	1,303,843	743,673	6,131,385
Video Broadband - Digital	2232.8	9,731,811	84,531	1,090,464	485,064	276,666	1,936,725
Digital Electronic Switching - RTU	*2212-RTU*						
Station Apparatus	2311	538,549	4,678	57,936	29,173	16,639	108,426
Customer Premises Wiring	2321	0	0	-	-	-	-
Large Private Branch Exchanges	2341	25,128	218	2,703	1,361	776	5,059
Public Telephone Terminal Equipment	2351	117,147,781	1,017,546	14,249,650	7,856,678	4,481,216	27,605,089
Other Terminal Equipment	**2362**						**74,356,441**
Inside Wire	2362.2	830,383	7,213	115,424	59,090	33,703	215,430
Video Broadband	2362.6	0	0	0	0	0	0
Subscriber Pair Gain	2362.7	0	0	0	0	0	0
Analog Network Chann Term Equip	2362.3,.8,.9	285,779,169	2,482,278	39,723,567	20,336,073	11,599,093	74,141,010

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Investments and Capital Costs - Sec. C

Account Description	Account No. or FRC	Adj. Factor Base	Ad Valorem	Depreciation Expense	Cost of Money Exp.	Income Tax Exp.	Total Exp.
a	b	i=sum(c:e)	j=i*Ad V.	k=i*Dep.	l=i*COM	m=i*IT	n=sum(j:m)
Poles	2411	231,177,793	2,008,010	22,772,705	13,455,741	7,674,756	45,911,212
Aerial Cable	2421						
Metallic	2421.11,.21	1,003,366,007	8,715,237	103,517,079	61,357,803	34,996,672	208,586,791
Nonmetallic	2421.12,.22	18,552,357	161,146	1,475,517	1,150,760	656,359	3,443,782
Video Broadcast	2421.13,.14	0	0	0	0	0	0
Underground Cable	2422						
Metallic	2422.11,.21	2,104,913,089	18,283,275	181,784,146	133,678,128	76,246,043	409,991,592
Nonmetallic	2422.12,.22	527,596,725	4,582,705	35,819,301	33,369,226	19,032,818	92,804,050
Video Broadcast - Metallic	2422.13	2,928	25	253	186	106	570
Video Broadcast - Nonmetallic	2422.14	4,110,004	35,699	279,034	259,948	148,267	722,948
Buried Cable	2423						
Metallic	2423.11,.21	7,227,264,420	62,776,019	443,056,518	473,234,827	269,919,120	1,248,986,485
Nonmetallic	2423.12,.22	568,358,533	4,936,762	35,171,062	37,091,665	21,155,986	98,355,475
Video Broadcast - Metallic	2423.13	46,686,605	405,520	2,862,052	3,056,997	1,743,621	8,068,189
Video Broadcast - Nonmetallic	2423.14	1,302,546	11,314	80,604	85,005	48,485	225,408
Submarine Cable	2424						
Metallic	2424.11,.21	7,822,855	67,949	3,940	4,492	2,562	78,944
Nonmetallic	2424.12,.22	3,151,010	27,370	1,556	1,821	1,039	31,786
Video Broadcast - Metallic	2424.13	0	0	0	0	0	0
Video Broadcast - Nonmetallic	2424.14	0	0	0	0	0	0
Intrabuilding Network Cable	2426						
Metallic	2426.1	307,984,385	2,675,152	20,920,777	20,074,384	11,449,833	55,120,147
Nonmetallic	2426.2	10,526,005	91,429	732,964	679,282	387,442	1,891,117
Video Broadcast - Metallic	2426.3	17,066	148	353	1,229	701	2,431
Video Broadcast - Nonmetallic	2426.4	3,359	29	0	0	0	29
Aerial Wire	2431	33,814,070	293,709	6,365,628	2,418,828	1,379,628	10,457,794
Conduit System	2441	1,678,560,274	14,579,975	34,696,626	120,894,442	68,954,607	239,125,650
Total Telephone Plant In Service	Sec. C only	26,769,401,618	-	-	-	-	-
Total Telephone Plant In Service	Sec. D only	2,896,064,469	-	-	-	-	-
Total Telephone Plant In Service	**2001**	29,665,466,087	-	-	-	-	-
Power	2210, 32, 51	12,993,627,912	-	-	-	-	-
Subscriber Line Testing	2421-2424	11,779,535,386	-	-	-	-	-

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Investments and Capital Costs - Sec. C

Account Description	Account No. or FRC	Adj. Factor Base	Ad Valorem	Depreciation Expense	Cost of Money Exp.	Income Tax Exp.	Total Exp.
a	b	i=sum(c:e)	j=i*Ad V.	k=i*Dep.	l=i*COM	m=i*IT	n=sum(j:m)
Interoffice Testing	2231,32,62:2421-2424	18,780,240,746	-	-	-	-	-

Adjustment Development

Land

Land Adj for Rent Comp.

Buildings

Video Broadband - Joint (Adjustments)	*2121 - 610C*
Building Adj for Rent Comp. (Adjustments)	*2121*

Central Office Equipment

Voice Messaging (Adjustments)	*2212 - 9007C*
Radio Systems - Other	*2231*

Poles

Poles (Adjustments)	*2411*

Conduit System

Video Broadband - Joint	*504C*

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Asset Related Expenses - Section D

Account Description	Account No.	EOY '97 Bk. Opr. Exp.	Other Studies	Adjustments	CC/BC Adjustment Amount	Future Use	Investment Factor Base
a	b	c	d	e	f=sum(c:e)*Adj	g	h=sum(c:g)
Network Support Assets							
Motor Vehicles	2112	340,891,549			49,189,732		390,081,281
Aircraft	2113	1,875,494			825,217		2,700,711
Special Purpose Vehicles	2114	1,117,928			691,423		1,809,351
Garage Work Equipment	2115	9,105,953			2,987,709		12,093,661
Other Work Equipment	2116	236,288,404			73,983,081		310,271,485
General Support Assets							
Land	2111	100,046,362	(31,101,533)	1	84,033,077		152,977,908
Buildings	2121	2,276,254,281	(678,921,873)	(1)	1,946,900,978		3,544,233,385
Furniture	2122	12,476,433		0	4,455,833		16,932,266
Office Equipment	2123	177,191,488		(6)	10,416,378		187,607,860
Inventories	1220						
General Purpose Computers	2124	1,642,111,475	(302,986,490)	0	(631,072,023)		708,052,962
Capital Leases	2681	340,018,987					
Land & Buildings	2681.1	32,960,530		(0)	0		32,960,530
Computers	2681.3	39,768,970		(0)	0		39,768,970
Computer Software	2681.4	267,133,121			0		267,133,121
Other	2681.9	156,365			0		156,365
Leasehold Improvements	**2682**	**118,812,709**					**118,812,709**
Land & Buildings	2682.1	102,777,573		0	0		102,777,573
Computers	2682.2	16,035,136		0	0		16,035,136
Intangibles	2690	16,174,050			0		16,174,050
Total Plant in Service (Sec. D only)		5,272,365,112			-		-
less Land & Building		2,896,064,469			-		-

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Asset Related Expenses - Section D

Account Description	Account No.	EOY '97 Bk. Opr. Exp.	Other Studies	Adjustments	CC/BC Adjustment Amount	Future Use	Investment Factor Base
a	b	c	d	e	f=sum(c:e)*Adj	g	h=sum(c:g)
Inventories							
Plant Supplies - Nonexempt	1220.11	12,551,133			0		12,551,133
Plant Supplies -Exempt	1220.12	2,655,635			0		2,655,635
CO and PBX Eqpt.	1220.14	33,904,732			0		33,904,732
Motor Vehicles	1220.151	0			0		0
Tools & Other Work Eqpt.	1220.152	158,423			0		158,423
Furn. & Office Eqpt.	1220.16	0			0		0
Other	1220.19	40,687,343			0		40,687,343
Other Studies							
Land - CO	2111		31,101,533		37,907,955		69,009,487
Buildings - CO	2121		678,921,873		827,500,684		1,506,422,556
General Purpose Computers - B&C	2124		298,076,249		(140,470,519)		157,605,730
General Purpose Computers - AMA	2124		4,163,622		(1,962,136)		2,201,486
General Purpose Computers - E911	2124		746,619		(351,849)		394,770

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Asset Related Expenses
Section D

Account Description	Account No.	Investment Factor Base	Ad Valorem	Depreciation Expense	Cost of Money Expense	Income Tax Expense	Associated Operating Expenses	Total Cost
a	b	i=h	j=i*Ad V.	k=i*Dep	l=i*COM	m=i*IT	n	o=sum(j:n)
Network Support Assets								**136,399,402**
Motor Vehicles	2112	390,081,281	3,388,246	39,621,588	20,655,988	11,781,564	6,059,367	81,506,753
Aircraft	2113	2,700,711	23,458	0	0	0	58,155	81,614
Special Purpose Vehicles	2114	1,809,351	15,716	121,743	102,309	58,354	67,716	365,837
Garage Work Equipment	2115	12,093,661	105,046	808,902	685,959	391,251	486,245	2,477,402
Other Work Equipment	2116	310,271,485	2,695,018	19,444,184	17,895,200	10,206,892	1,726,501	51,967,796
General Support Assets								**856,002,043**
Land	2111	152,977,908	1,328,766	156	16,374,509	9,339,535	5,580,940	32,623,905
Buildings	2121	3,544,233,385	30,785,211	91,998,356	300,001,827	##########	129,300,722	723,198,267
Furniture	2122	16,932,266	147,074	1,205,121	942,510	537,580	26,745,821	29,578,106
Office Equipment	2123	187,607,860	1,629,562	20,182,519	10,162,602	5,796,447	25,084,268	62,855,399
Inventories	1220							7,746,366
General Purpose Computers	2124	708,052,962	6,150,148	123,457,487	37,021,767	21,116,119	197,537,338	385,282,859
Capital Leases	2681							
Land & Buildings	2681.1	32,960,530	0	0	2,789,946	1,591,302	0	4,381,248
Computers	2681.3	39,768,970	0	0	2,079,389	1,186,022	0	3,265,411
Computer Software	2681.4	267,133,121	0	28,651,988	13,393,753	7,639,400	0	49,685,141
Other	2681.9	156,365	0	0	9,019	5,144	0	14,162
Leasehold Improvements	**2682**	**118,812,709**						
Land & Buildings	2682.1	102,777,573	892,726	2,667,817	8,699,613	4,962,002	0	17,222,158
Computers	2682.2	16,035,136	139,281	2,795,917	838,425	478,213	0	4,251,836
Intangibles	2690	16,174,050	0	0	932,854	532,072	0	1,464,926
Total Plant in Service (Sec. D only)		-	-	-	-	-	-	-
less Land & Building		-	-	-	-	-	-	-

Company: U S WEST
Jurisdiction: U S WEST
Report Source: MR 2A
Study: Retail

Asset Related Expenses
Section D

Account Description	Account No.	Investment Factor Base	Ad Valorem	Depreciation Expense	Cost of Money Expense	Income Tax Expense	Associated Operating Expenses	Total Cost
a	b	i=h	j=i*Ad V.	k=i*Dep	l=i*COM	m=i*IT	n	o=sum(j:n)
Inventories								**7,746,366**
Plant Supplies - Nonexempt	1220.11	12,551,133	0	0	723,898	412,890	0	1,136,789
Plant Supplies -Exempt	1220.12	2,655,635	0	0	153,166	87,361	0	240,528
CO and PBX Eqpt.	1220.14	33,904,732	0	0	1,699,945	969,598	0	2,669,543
Motor Vehicles	1220.151	0	0	0	0	0	0	0
Tools & Other Work Eqpt.	1220.152	158,423	0	0	9,137	5,212	0	14,349
Furn. & Office Eqpt.	1220.16	0	0	0	0	0	0	0
Other	1220.19	40,687,343	0	0	2,346,681	1,338,477	0	3,685,158
Other Studies								**364,580,007**
Land - CO	2111	69,009,487	599,416	0	7,386,664	4,213,134	2,517,604	14,716,819
Buildings - CO	2121	1,506,422,556	13,084,786	39,102,504	127,511,219	72,728,620	54,957,308	307,384,437
General Purpose Computers - B&C	2124	157,605,730	1,368,963	27,480,441	8,240,687	4,700,243	-	41,790,334
General Purpose Computers - AMA	2124	2,201,486	19,122	383,855	115,108	65,654	-	583,740
General Purpose Computers - E911	2124	394,770	3,429	68,833	20,641	11,773	-	104,676

Company: U S WEST
Jurisdiction: U S WEST
Study: Retail

Commerical Marketing Expenses - Section E

Account Description	Account No. or FRC	EOY Bk. Opr. Exp.	Cost Savings Amount	Inflation Amount	Numerator Base	EOY Bk. Opr. Exp.	Adjustment	Denominator Base
a	b	c	d=c*Factor	e=c*Factor	f=sum(c:e)	g	h=g*Factor	i=(g+h)
Marketing Groups								
Group 1 - Residence								
- Product Management	6611	10,509,459	(1,022,045)	748,526	10,235,940	1,621,261,077	431,631,807	2,052,892,884
- Sales	6612	352,626	(34,293)	25,115	343,449	1,621,261,077	431,631,807	2,052,892,884
- Advertising	6613	20,716,368	(2,014,667)	1,475,503	20,177,204	1,621,261,077	431,631,807	2,052,892,884
Group 2 - BUS, Centrex, Pri. Ln., PBX, ISDN, Public, ACS								
- Product Management	6611	50,140,965	(4,876,209)	3,571,240	48,835,996	2,208,601,948	588,000,824	2,796,602,772
- Sales	6612	136,449,684	(13,269,732)	9,718,492	132,898,445	2,208,601,948	588,000,824	2,796,602,772
- Advertising	6613	12,596,756	(1,225,035)	897,191	12,268,913	2,208,601,948	588,000,824	2,796,602,772
Group 3 - Interconnect, Carrier Features, PAL								
- Product Management	6611	24,109,694	(2,344,668)	1,717,189	23,482,215	1,516,320,863	403,693,349	1,920,014,212
- Sales	6612	8,293,635	(806,556)	590,706	8,077,785	1,516,320,863	403,693,349	1,920,014,212
- Advertising	6613	0	0	0	0	1,516,320,863	403,693,349	1,920,014,212
Group 4 - Operator Services / DA								
- Product Management	6611	903,703	(87,885)	64,365	880,183	17,964,993	4,782,859	22,747,852
- Sales	6612	680,357	(66,165)	48,458	662,650	17,964,993	4,782,859	22,747,852
- Advertising	6613	571,530	(55,581)	40,707	556,655	17,964,993	4,782,859	22,747,852
Group 5 - Toll								
- Product Management	6611	3,895,949	(378,881)	277,485	3,794,553	501,640,638	133,552,861	635,193,498
- Sales	6612	15,432,812	(1,500,841)	1,099,187	15,031,158	501,640,638	133,552,861	635,193,498
- Advertising	6613	13,212,997	(1,284,964)	941,082	12,869,116	501,640,638	133,552,861	635,193,498
Group 6 - Billing & Collection								
- Product Management	6611	1,580,185	(153,673)	112,547	1,539,059	35,823,456	9,537,355	45,360,811
- Sales	6612	323,816	(31,491)	23,063	315,388	35,823,456	9,537,355	45,360,811
- Advertising	6613	189,066	(18,387)	13,466	184,145	35,823,456	9,537,355	45,360,811
Group 7 - Listings, Features, Information Services, Misc.								
- Product Management	6611	23,736,746	(2,308,399)	1,690,626	23,118,973	394,637,744	105,065,251	499,702,995
- Sales	6612	56,490,912	(5,493,741)	4,023,509	55,020,680	394,637,744	105,065,251	499,702,995
- Advertising	6613	24,730,610	(2,405,052)	1,761,413	24,086,971	394,637,744	105,065,251	499,702,995