EXHIBIT A

USWEST
COMMUNICATIONS

EXECUTIVE SUMMARY

PUBLIC ACCESS LINE SERVICE

1996
RECURRING AND NON RECURRING COST STUDY

STATE OF COLORADO

NOVEMBER 1996

Market Services And Economic Analysis Organization

Colorado
1996 Public Access Line Service
Table of Contents

A. PURPOSE, SCOPE, AND APPLICATION

The purpose of this study is to estimate the U S WEST's 1996 total service long run incremental costs (TSLRIC) for Public Access Line (PAL) Service within the state of Colorado.

This study develops state wide average recurring and non recurring long run incremental costs. Recurring costs are stated per line, on a measured usage and a flat basis. Local usage recurring cost per message, cost per initial minute, and cost per additional minute are also provided. Non recurring costs represent the estimated one-time costs to install and disconnect service. They reflect the changing technologies and mechanization in the provisioning of PAL Service.

B. DESCRIPTION OF SERVICE

Public Access Line (PAL) Service is provided for use with customer-owned coin / coinless telephones at locations accessible to the public. Customer-Owned Coin Operated Telephones (COCOT) vendors / agents who wish to connect their own hardware to the exchange network, for public use, are required to subscribe to PAL service, using an FCC-registered instrument. Access is then provided to the local / toll network.

C. STUDY METHODOLOGY

RECURRING COSTS: The major cost components of PAL service on a recurring basis are access line costs and local usage costs. The cost of an access line includes the subscriber loop, the drop or service wire, the non-traffic sensitive portion of the central office (NTS-COE), billing and collection for a business line, and a directory listing. Local usage costs include end office switching, tandem switching, measurement, interoffice transport, local measured service billing and collection, intercept, operator assistance, and measurement polling expense. The billing and collection, directory listing, intercept, operator assistance and measurement polling expenses are calculated in separate cost studies. There are no product specific advertising costs.

Following is a brief explanation of the methodology used to develop the recurring costs for PAL service. Detailed descriptions of the models can be found in the TSLRIC Cost Manual.

1. The subscriber loop is comprised of those outside plant and circuit facilities extending from the central office switch to and including the customer serving terminal. The drop or service wire includes the cost of wire facilities between the customer's serving outside plant terminal and customer's service location. The Regional Loop Cost Analysis Program (RLCAP) is used to determine the loop and drop costs, which are specific to Public Access Line Service. RLCAP models investments for wire center size groups, calculates the investment for a census of loops (customer locations), and

converts the average investment per loop into a monthly recurring cost. Investments are converted to costs through the use of annual cost factors (ACFs).

2. Non-traffic sensitive central office equipment associated with the connection of the access line to the central office switch is sensitive to the number of lines served by the central office, but not to the amount of traffic (usage) going through the office. NTS-COE costs are developed in the Switching Usage Model by weighting the investments from different types of forward-looking digital central office switches by the number of working lines in each office. Investments are converted to costs through the application of annual cost factors from the TSLRIC Windows Personal Computer Cost Calculator (TWINPC3).

3. Billing and collection costs identify the costs associated with the preparation, rendering, and collection of bills. The Customer Record Information System (CRIS) Billing and Collection cost model is used to develop estimates of billing and collecting (B&C) costs for a business line and for local measured service messages. The cost model identifies costs for three primary components: 1.) customer contact labor, which identifies the cost related primarily to business office functions, 2.) Centralized Data Processing (CDP) , and 3.) the investment associated with CRIS. Investments are converted to costs through the application of annual cost factors.

4. The directory listing cost identifies the cost of providing a listing in the white pages directory as well as a listing in the directory assistance database. Costs consist of several elements, including data processing expense for Information Technology Services (ITS), Information Services White Page production expenses, and business office error correction expenses. The cost per main listing is determined by dividing total costs attributable to the provisioning of the main listings by the total number of main listings.

5. Local usage costs identify the traffic sensitive network components required to provide the communication path from the serving wire center where the local call originates to the serving wire center where the call terminates. PAL local usage costs are developed using local call set-up and conversation minute costs, along with the average calling characteristics for PAL Service. The average monthly line call rate and call duration for PAL service are obtained from the Subscriber Line Usage Report (SLUS).

   The Switching Usage Model calculates the intraoffice and interoffice call set-up and conversation minute unit costs associated with switching and measuring in end offices. The cost model also calculates the cost of tandem switching for interoffice calls and conversation minutes. The Transport Model calculates the call set-up and conversation minute unit costs associated with transporting calls over the USWC interoffice network. The network component costs include Signaling System 7 (SS7) technology.

These network component costs, along with additional expenses, i.e., local measured service billing and collection, intercept, operator assistance, and measurement polling expenses are then multiplied by quantities required for PAL local service.

Intercept expense includes limited mechanical announcements informing callers of new numbers, referral numbers, and / or line status. The total non chargeable intercept expenses are divided by total annual messages to develop the non chargeable intercept cost per message. The expenses include equipment, facilities, transport, and local switching.

Operator assistance expense identifies the miscellaneous operator support such as dialing instructions and connections to directory assistance. The Operator Services Cost Analysis Program (OSCAP) is used to calculate the incremental forward looking cost of an Operator Services System (OSS) processed call. The program calculates the differential for either machine handled (MAH) or operator handled (OPH) calls compared to a Direct Distance Dialed (DDD) call. The operator assistance study uses data from the OSCAP model from January, 1995 through December, 1995.

The total messages and minutes of use are from the Switching Usage Model. The Switching Usage Model calculates the cost of end office switching and minutes of use for intra-office and inter-office calls. The assistance calls are multiplied by their specific cost per call to develop a total cost for assistance calls. The total cost is then divided by the total messages.

Measurement polling expense identifies the teleprocessing measurement costs. The costs for this study are state average costs based on the total annual costs for the end office polling equipment and software for the state and the total projected usage that represents an annual levelized usage figure for the state. The costs for the host collector location are based on the total annual costs for the equipment and software required to supervise and monitor end offices of a particular region and the total levelized usage that is polled for that region. The costs for the host collector location are developed as a cost per message and are included in the final cost per message for each state in the region.

NON RECURRING COSTS: Following is a brief explanation of the methodology used to develop the non recurring costs for PAL service:

Nonrecurring costs represent the one-time charges that apply for specific work activities involved in providing PAL Service. The Non Recurring Cost Program (NRC) performs mechanized cost calculations associated with the one time labor expense resulting from a customer request for service. Inputs to the calculations include: labor time, probability of occurrence, labor rate, and expense factors.

1. NRC 112 is the cost model used to develop costs in this study.

2. Regional negotiation times are used to develop the costs. Time estimates are obtained from field experts who actually perform the work being studied and / or from subject matter experts on staff representing the work group.
3. Company objectives for Dedicated Inside Plant (DIP) for the central office frame are used to develop a probability which weights the cost of placing and removing jumpers when a line is established or removed.
4. Company objectives for the flow thru percentages for the Facility Assignment and Control System (FACS) are utilized to develop a probability which weights the costs of manual processing in the Loop Provisioning Center (LPC).
5. Probabilities related to service orders are developed from the Service Order Activity Tracking (SOAT) Reports. Historical data is used as the basis for estimating service order patterns in the future.
6. 1996 Labor and Factor Rates are utilized in this study.

D. DESCRIPTION OF LONG RUN INCREMENTAL COSTS

U S West Communications uses an incremental method to estimate product and service costs. It provides a measurement of costs over a period of time long enough to fully adjust to change in output (e.g., size of facilities, levels of investment) to optimally accommodate this change. This methodology is forward looking in nature (i.e., it uses the latest technology costs or replacement costs). Since this incremental methodology is forward looking, it does *not* measure historic investment decisions of the corporation.

The U S WEST incremental format disaggregates the cost results on a unitized basis into the components shown below:

Total Service Long Run Incremental Cost (TSLRIC) -- Total Service Long Run Incremental cost is the forward-looking cost avoided (or added) by discontinuing (or offering) an entire service or group of services in the most efficient manner, holding constant the production of all other services produced by the firm. This cost is often referred to in economic terms as the *direct* cost.

Shared Cost (SC) -- The cost associated with the provision of multiple services (service family). This cost is not volume sensitive and is eliminated only if the entire service family is discontinued.

Total Service Long Run Incremental Costs plus Shared Costs (TSLRIC + SC) -- The total Service Long Run Incremental Costs for a service plus the Shared Costs of a family of services.

Common Cost (CC)--The current cost incurred for the benefit of the enterprise as a whole. This cost does not vary with the provision of a service or a service family. These costs are sometimes referred to as *general overhead costs*. The Common Cost added to the TSLRIC + SC produces a **Fully Allocated Cost(FAC)** as required by commission rules.

Typically, the costs identified by these cost categories include capital costs for depreciation, return, and income taxes. TSLRIC also includes ongoing operating costs for: maintenance expense, assignable administration expense, product management expense, pre sales expense, sales compensation expense, expensed right to use fees, ad Valorem taxes and business fees.

E. STUDY ASSUMPTIONS

1. Costs are based on a least cost scorched node scenario and represent the cost of fully replacing the network required to provision the service, beginning from the existing grid of network nodes used by U S WEST today.

2. It is assumed that facilities are placed given today's actual field conditions. This leads to a greater percent of facilities placement under difficult conditions than would occur with an assumption of "green field" (i.e., easy placement) conditions.

3. Costs do not reflect the emergence of widespread competition in the local exchange market.

4. Standby capacity is a volume-sensitive cost. Non-volume sensitive spare switching capacity (e.g., modular spare) is a shared cost. Please refer to documentation for the Switching Cost Model for further explanation.

5. All network investments are forward-looking:

   i. Switching and transport equipment and facilities are digital.
   ii. SONET is the forward looking technology in the interoffice network.
   iii. Loop facilities include a least cost mix of loop technologies, including twisted pair copper and fiber optic facilities in the feeder plant, along with digital and analog pair gain equipment.

6. The loop and drop investments in this study are based on weighting together loop samples from all classes of service to produce a statewide average investment per loop. Product group factors are applied to this investment to develop a service specific loop and drop cost. Additional assumptions used in the loop and local usage studies may be found in the documentation of the RLCAP model and the local usage study respectively.

F. STUDY SUMMARY (Recurring Costs)

Study Name	*Colorado 1996 Public Access Line Recurring Cost Study*	
Study Requester	*Dave Lemelin, Product Manager*	
Type of Study	*Total Service Long Run Incremental Costs (TSLRIC))*	
Product or Service Name	*Public Access Line (PAL)*	
Study Applications	*Regulatory Support*	
Completion Date	*November 1996*	
Cost Analyst	*Jim Cushman*	
Study Review	**Reviewer**	**Date**
	C. Saunders	*November, 1996*
Cost Models Used	**Model**	**Version and/or Release Date**
	TWINPC3	*Version 2.27 Database 96V1*
	RLCAP	*Version 3.5*
	Switching Usage Model	*Version 4.00*
	Transport Model	*SONET 5*
	Billing & Collection Model	*March, 1996*
Forward Looking Cost Factors Used	**Factor**	**Effective Date**
	Capital Recovery	*2/96*
	Maintenance	*2/96*
	Administration - Assignable	*2/96*
	Product Management	*2/96*
	Sales	*2/96*
	Compensation	*2/96*
	Ad Valorem	*2/96*
	Business Fees	*2/96*
	Power	*2/96*
	Sales Tax	*2/96*
	Interest During Construction	*2/96*
	Land	*2/96*
	Building	*2/96*
	Supply	*2/96*
	Telco	*2/96*
	Structure Ratio	*2/96*

	Capacity, Fills	*2/96*
	Common Cost	*2/96*
	Total Installed Factor	*2/96*
	Right to Use	*2/96*
	Telephone Plant Index	*2/96*
Cost of Money	*Combined*	*11.4%*
Major Cost Drivers	*Access line and local usage costs*	

F. STUDY SUMMARY (Non Recurring Costs)

Study Summary

Study Name	*1996 Nonrecurring Colorado Basic Services - Public*	
Study Requester	*Jim Cushman*	
Type of Study	*Total Service Long Run Incremental Costs (TSLRIC)*	
Product or Service Name	*Public Access Line (PAL)*	
Study Applications	*Price Support for Tariff Filing*	
Completion Date	*March 14, 1996*	
Cost Analyst	*Kenn Stobbe*	
Cost Models Used	**Model**	**Version/Release Date**
	NRC 112	*3/96*
Cost Factors Used	**Factor**	**Effective Date**
	Capital Recovery	*na*
	Maintenance	*na*
	Administration - Assignable	*2/96*
	Product Management	*2/96*
	Sales	*2/96*
	Compensation	*2/96*
	Ad Valorem	*na*
	Business Fees	*2/96*
	Power	*na*
	Sales Tax	*na*
	Interest During Construction	*na*
	Land	*na*
	Building	*na*
	Supply	*na*
	Telco	*na*
	Structure Ratio	*na*
	Capacity, Fills	*na*
	Common Cost	*2/96*
Labor Rates		*11/95*
Cost of Money	*Combined*	*na*
Inflation	*Telephone Plant Index*	*na*
Major Cost Drivers	*Labor Times, Labor Rates and associated weightings.*	

G. RESULTS SUMMARY-RECURRING

Summary of Costs
COLORADO 1996
PAL - Flat Rate Public Access Line
(Statewide Average)

11/23/96

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Access Line				
Outside Plant Loop	$ 16.64	$ 1.62	$ 18.26	$ 22.07
Drop Wire	$ 2.19	$ 0.19	$ 2.39	$ 2.88
NTS - COE	$ 1.12	$ 0.53	$ 1.65	$ 2.00
Billing & Collections	$ 0.65	$ 0.07	$ 0.71	$ 0.86
Directory Listings	$ 0.11	$ 0.01	$ 0.12	$ 0.15
TOTAL ACCESS LINE	$ 20.71	$ 2.43	$ 23.14	$ 27.97

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Public Access Line Flat Usage				
Total Set-up Cost per Month	$0.89	$1.21	$2.10	$2.53
Total Minute of Use Cost per Month	$1.42	$0.80	$2.21	$2.68
TOTAL USAGE COST PER MONTH	$2.31	$2.00	$4.31	$5.21

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
PAL Public Access Line				
Access Line	$ 20.71	$ 2.43	$ 23.14	$ 27.97
Public Access Line Flat Usage	$ 2.31	$ 2.00	$ 4.31	$ 5.21
TOTAL FLAT PUBLIC ACCESS LINE	$ 23.02	$ 4.43	$ 27.45	$ 33.17

FAC = Fully Allocated Cost

TSLRIC + SC = Total Service Long Run Incremental Cost + Shared

Summary of Costs
COLORADO 1996
PAL - Measured Public Access Line
(Statewide Average)

11/23/96

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Access Line				
Outside Plant Loop	$ 16.64	$ 1.62	$ 18.26	$ 22.07
Drop Wire	$ 2.19	$ 0.19	$ 2.39	$ 2.88
NTS - COE	$ 1.12	$ 0.53	$ 1.65	$ 2.00
Billing & Collections	$ 0.65	$ 0.07	$ 0.71	$ 0.86
Directory Listings	$ 0.11	$ 0.01	$ 0.12	$ 0.15
TOTAL ACCESS LINE	$ 20.71	$ 2.43	$ 23.14	$ 27.97

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Public Access Line Measured Usage				
Total Set-up Cost per Month	$4.24	$1.57	$5.81	$7.02
Total Minute of Use Cost per Month	$1.42	$0.80	$2.21	$2.68
TOTAL USAGE COST PER MONTH	$5.66	$2.36	$8.03	$9.70

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
PAL Public Access Line				
Access Line	$ 20.71	$ 2.43	$ 23.14	$ 27.97
Public Access Line Measured Usage	$ 5.66	$ 2.36	$ 8.03	$ 9.70
TOTAL MEASURED PAL	$ 26.37	$ 4.79	$ 31.17	$ 37.66

FAC = Fully Allocated Cost

TSLRIC + SC = Total Service Long Run Incremental Cost + Shared

Summary of Costs
COLORADO 1996
PAL - Other Measured Usage Options
(Statewide Average)

11/23/96

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Per Message	$0.01588	$0.00663	$0.02250	$0.02719
Intial Minute	$0.01310	$0.00507	$0.01817	$0.02196
Additional MInute	$0.00120	$0.00067	$0.00188	$0.00227

FAC = Fully Allocated Cost
TSLRIC + SC = Total Service Long Run Incremental Cost + Shared

G. Results Summary

Public Access Line
State of Colorado
Nonrecurring Costs

1996 Total Service Long Run Incremental Costs and Fully Allocated Costs

Cost Element	TSLRIC	+	SC	=	TSLRIC + SC	+	Commo n Costs	=	Fully Allocated Costs
Public Access Line	$ 65.21	+	$ 5.78	=	$ 70.99	+	$ 14.79	=	$ 85.78

Glossary:
TSLRIC = Total Service Long Run Incremental Cost
SC = Shared Cost

Colorado Supplemental Documentation
for

STUDY NAME:

1996 Colorado Public Access Line Costs

STUDY INDEX:

1. Q. Has an Index/Table of Contents been included with the cost support organizing both the Executive Summary and the cost study work papers? (Compliance with Rule 6.3.g).

A. Yes, please see the Table of Contents of the Executive Summary & Workpapers.

STUDY SUMMARY:

2. Q. Has a study summary been prepared that identifies the Investment Cost Model(s) used within the study, the version of the Investment Cost Model, factors used within the study, and factor release dates?

A. Yes. See pages EX-6 and EX-8 of the study documentation.

PURPOSE, SCOPE and APPLICATION:

3. Q. Please identify the services which this study supports.

A. See page EX-1 of the documentation.

4. Q. Is this a Total Service Long Run Incremental Cost (TSLRIC) Study as defined in Rules Prescribing Principles for Costing and Pricing of Regulated Telecommunications Service Providers, Rule 2, Definition 45? If the study is a TSLRIC study, please identify the increment studied. If the study uses the TSLRIC methodology as described in part b of Definition 45 that assumes that geographic locations of routes and switches are the same as those available to the firm today, please identify the underlying assumptions included in the analysis. (Compliance with Rule 4.1.d, Rule 6.1.a and 6.2.a) If this study is not a TSLRIC study, what kind of study per Colorado Rules does this study represent? (Compliance with Rule 6.1.a and 6.1.b). If this study is not a TSLRIC study, please explain why the study is appropriate for the decision at hand. If this study is an incremental service incremental cost analysis, please verify that Rule 6.2 (a) and (b) have been satisfied.

A. Yes, this study is a Total Service Long Run Incremental Cost, as defined in Rule 2, definition 45. The methodology assumes that the geographic location of interoffice and intraoffice routes and switches are the same as those available today but that the technology reflects forward looking, least cost technology for Public Access Line

Service. The entire service is the increment. See pages EX-4 and EX-5 of the documentation.

5. Q. Is this study a service cost study or a functional component study as defined in Colorado Rule 4.1.c? If a functional component study, please identify where the mapping of the functional components to services is included in the documentation.

A. Service cost study.

6. Q. Do the Colorado Rules suggest that an imputation analysis should be performed as part of the cost analysis? (Compliance with Rule 4.1.f and 4.2.c) If yes, please identify where USWC has substituted rates for costs in the analysis and/or identify that a request for a waiver from this rule is required. Please also describe why the imputation is appropriate.

A. The Public Access Line rate is used as an element to be imputed into other retail coin services, but does not have elements imputed into it.

7. Q. Does the cost study define all elements in the same terms as the Colorado Rule 2 definitions? If not, please provide a translation sheet that correlates USWC cost terms to the Colorado cost terms.

A. Please see page EX-18 in the documentation for this study that provides a translation sheet correlating USWC terms to terms used in the Colorado cost and pricing rules. Please also note that whenever the terms NLRIC or LRIC is used within the USWC study, the term represents the disaggregated TSLRIC methodology used by USWC.

8. Q. If this study is a regional or multi-state study, rather than a Colorado specific study, please identify the region included within the study and explain why a regional study is appropriate.

A. Some portions of the Public Access Line study represent U S WEST regional cost data rather than solely Colorado specific cost data. Billing and collection (section C2c), operator assistance (section C3e), intercept (section C3d), and measurement polling (section C3f) type costs represent multistate perspectives. These are appropriate because these functions are performed on a multi-jurisdictional level.

SERVICE DESCRIPTION:

9. Q. Has a description/diagram of the service been provided that relates the network components to the service?

A. Yes, please see pages EX-1 through EX-3 of the documentation.

10. Q. Have all network components used by the service been described?

A. Yes, please see pages EX-1 through EX-3 of the documentation.

STUDY METHODOLOGY:

11. Q. Has a description of the cost methodology been included in the Executive Summary?

A. Yes, see pages EX-1 through EX-3 of the documentation.

12. Q. As part of the cost analysis have fixed and variable costs been identified within the planning period (Compliance with Rule 6.1.d)?

A. Yes, see pages EX-9 through EX-11 of the documentation.

13. Q. What is the planning horizon for each of the network components used within the study? (Compliance with Rule 6.1.d).

A. The planning horizon for each network component are as follows:

Network Component	Planning Period
Switching	Two year engineering period, planning period of five years.
Transport	3 to 5 year planning period
Measurement	5 year planning period

14. Q. Have any sunk costs been included within the cost estimates? If so, please identify and justify. (Compliance Rule 6.1.e).

A. No.

15. Q. Have all known costs (billing, marketing, advertising, network, etc.) been included in the cost analysis? If not, please identify why not and estimate the cost if the costs should have been included but were omitted. (Compliance with Rule 4.1.e.)

A. Yes.

16. Q. Have any costs been reclassified within the study for rate recovery purposes from recurring to non-recurring, or vice versa? If yes, please provide the documentation that identifies the methodology that supports the reclassification and explain why the reclassification is appropriate. Note if answer is yes, both recurring and non recurring cost support work papers should be provided.

A. No.

17. Q. Please identify the demand source and describe how these quantities were verified.

A. Information regarding demand source utilized in each component can be found in the component responses to the 30 questions found in TAB D.

ASSUMPTIONS:

18. Q. Was this study completed in the last three years? If no, please identify that a waiver should be filed requesting a waiver of Rule 4.1.h for this study. Please note that simply inflating the final result of study that was performed over three years ago does not comply with the intent of the Rule and in those situations a waiver should be requested.

A. Yes.

19. Q. Has any part of the study been inflated beyond two years? If so, please provide justify why the use of inflation factors beyond two years is appropriate.

A. Information regarding any of the component parts that have been inflated can be found in the component responses to the 30 questions found in TAB D.

20. Q. Has USWC relied upon any other documents when making any assumptions within the study? If so, please reference the documents here.

A. Yes. See data provided on page EX-19 that identifies the data underlying USWC's cost of money used within the cost analysis.

21. Q. Have the following cost levels been identified on a per unit or aggregate basis? (Compliance with Rule 6.1.f and Commission order in Docket 371-T.)

A. Yes, see referenced pages for per unit costs.

Colorado Terminology	USWC Terminology	Page
Average Variable Cost	TSLRIC	EX-9 through EX-11
Average Fixed Cost (Service)	TSLRIC	EX-9 through EX-11
Average Fixed Cost (Group)	Shared Cost	EX-9 through EX-11
TSLRIC (Group)	TSLRIC + Shared	EX-9 through EX-11
Overhead Cost	Common Cost	EX-9 through EX-11

22. Q. Has USWC cross referenced the study results above to the appropriate work paper pages.

A. Yes.

24. Q. Has USWC provided fully allocated cost as a surrogate for the FDC service or new service requirements associated with Rule 4.1.a or b? If yes, please identify that a waiver of Rule 4.1.a concerning methodology should be filed.

A. Yes. A waiver of the methodology associated with Rule 4.1.a (any service rate proposal) or 4.1.b (a new service using existing investment) has been filed.

WORK PAPERS:

25. Q. Have all work papers been included in the study? (Compliance with Rule 6.3.a)

A. Yes.

26. Q. Have all source documents been clearly identified and are they readily available if not provided as part of the study documentation? (Compliance with Rule 6.3.a, 6.3.b and 6.3.d.)

A: Yes.

27. Q. Are pages numbered and cross referenced?

A. Yes.

28. Q. Are all algorithms identified in any spreadsheets included as part of the work papers?

A. Yes.

29. Q. Are all labels (dollars/ft, etc.) clearly labeled and traceable back to their source documents? (Compliance with Rule 6.3.e).

A. Yes.

30. Q. Have all work sheets/ spreadsheets been provided on diskette using standard spreadsheet or data base software/ If yes, please provide a list of the files included. If no, please explain why the data has not been provided on standard database software.

A. See diskette labeled 1996 Colorado Public Access Line Service Cost.

EXHIBIT B

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COMMUNICATIONS

EXECUTIVE SUMMARY

COIN LINE SERVICE

1996
RECURRING AND NON RECURRING COST STUDY

STATE OF COLORADO

NOVEMBER, 1996

Market Services & Economic Analysis
MSEA

Market Services And Economic Analysis Organization

Colorado
1996 Coin Line Service
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This study develops state wide average recurring and non recurring long run incremental costs. Recurring costs are stated per line, on a measured usage and a flat basis. Local usage recurring cost per message and cost per inital minute, and cost per additional minute are also provided. Non recurring costs represent the estimated one-time costs to install and disconnect service. They reflect the changing technologies and mechanization in the provisioning of Coin Line Service.

B. DESCRIPTION OF SERVICE

Coin Line Service is a voice grade telephone service which provides exchange access from the subscriber's premises to the U S WEST central office facilities for the purpose of connecting Customer Owned Pay Telephones, (COPT), which utilize central office coin control features. Coin Line Service is distinguished from Public Access Line Service, (PAL), service as follows: PAL Service allows vendor customers a line on which they terminate a "smart" coin phone. Coin Line service allows vendor customers a line on which they have the ability to terminate a "dumb" telephone set on the line by utilizing central office based payphone functions.

These additional functions include:

- Monitoring for coin deposits.
- Controlling the voltage which either collects or returns the deposited coins.
- On toll calls, coin deposits are monitored through the DTMF (Dual Tone Multifrequency) signals.

C. STUDY METHODOLOGY

RECURRING COSTS: The major cost components of Coin Line Service on a recurring basis are access line costs and local usage costs. The cost of an access line includes the subscriber loop, the drop or service wire, the non-traffic sensitive portion of the central office (NTS-COE), billing and collection for a business line, a directory listing, operator non-assistance including Automated Coin Telephone Service (ACTS), central office functions specific to coin service, and those costs associated with issuing a mechanized customer record to program software to establish Coin Line Service within the CRIS billing system. Local usage costs include end office switching, tandem switching, measurement, interoffice transport, local measured service billing and collection, intercept, operator assistance, and measurement polling expense. The billing and collection, directory listing, intercept, operator assistance and measurement polling expenses are calculated in separate cost studies. There are no product specific advertising costs.

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1. The subscriber loop is comprised of those outside plant and circuit facilities extending from the central office switch to and including the customer serving terminal. The drop or service wire includes the cost of wire facilities between the customer's serving outside plant terminal and customer's service location. The Regional Loop Cost Analysis Program (RLCAP) is used to determine the loop and drop costs, which are specific to Coin Line Service. RLCAP models investments for wire center size groups, calculates the investment for a census of loops (customer locations), and converts the average investment per loop into a monthly recurring cost. Investments are converted to costs through the use of annual cost factors (ACFs).

2. Non-traffic sensitive central office equipment associated with the connection of the access line to the central office switch is sensitive to the number of lines served by the central office, but not to the amount of traffic (usage) going through the office. NTS-COE costs are developed in the Switching Usage Model by weighting the investments from different types of forward-looking digital central office switches by the number of working lines in each office. Investments are converted to costs through the application of annual cost factors from the TSLRIC Windows Personal Computer Cost Calculator (TWINPC3).

3. Billing and collection costs identify the costs associated with the preparation, rendering, and collection of bills. The Customer Record Information System (CRIS) Billing and Collection cost model is used to develop estimates of billing and collecting (B&C) costs for a business line and for local measured service messages. The cost model identifies costs for three primary components: 1.) customer contact labor, which identifies the cost related primarily to business office functions, 2.) Centralized Data Processing (CDP) , and 3.) the investment associated with CRIS. Investments are converted to costs through the application of annual cost factors.

4. The directory listing cost identifies the cost of providing a listing in the white pages directory as well as a listing in the directory assistance database. Costs consist of several elements, including data processing expense for Information Technology Services (ITS), Information Services White Page production expenses, and business office error correction expenses. The cost per main listing is determined by dividing total costs attributable to the provisioning of the main listings by the total number of main listings.

5. Non-Operator Assitance costs include Automated Coin Telephone Service, (ACTS) and other operator costs not included with the operator assistance expenses which are

included within the Local Usage Cost portion of the study. A description of those functions included within operator non-assistance costs include the following: Traffic requiring OSS support will be routed to the Operator Position System. The system will, if possible, perform the needed validation and call identification for billing purposes without operator intervention. These are commonly called machine handled calls.

6. The Central Office Equipment costs are those costs associated with certain central office based functions. These functions include coin collect and return functions as well as announcement capabilities. The required equipment associated with these functions vary with switch type. Only digital switch types are included within the analysis. Specific equipment items included within this portion of the study include:

   Ericsson Switches: Coin magazines which control coin collect and return functions and announcement equipment which provides an instructional announcement for the payphone user.

   5ESS Switches : Announcement and trunk equipment to provide instructional announcements as well as coin collect and control functions.

   DMS 10 and DMS 100 Switches: Announcement, 48 volt coin collect and control functions, and B-Line card incremental costs required with these switch types.

   Investments used to calculate these costs are provided by Network Switching engineers. The investments are those identified for a typical central office representative of the study jurisdiction.

   Once the investments are identified and assigned to appropriate cost categories (i.e.: volume sensitive, service specific fixed, or shared residual), they are entered into the TWINPC3 Cost Calculator. The purpose of TWINPC3 is to inflate, load and apply annual cost factors to investments and to calculate the monthly costs associated with those investments. Digital central office investments are loaded as 377C account investments. Annual cost factors appropriate to that account are used.

7. Mechanized Customer Record, (MCR), costs, are incurred as a result of progamming the Customer Record Information System to accept Coin Line Service. These programming activities are labor intensive, and allow for the appropriate billing to the customer for Coin Line Service. These costs are incurred as nonrecurring costs, but are recovered from the customer on a recurring basis. They are spread over the life of the Coin Line service, and are included as a monthly cost.

8. The establishment of Coin Line Service also requires the addition of a line class code within each office. This is a nonrecurring cost which is spread over the estimated life of the service which is estimated to be 5 years.

9. Local usage costs identify the traffic sensitive network components required to provide the communication path from the serving wire center where the local call originates to the serving wire center where the call terminates. Coin Line local usage costs are developed using local call set-up and conversation minute costs, along with the average calling characteristics for Coin Line Service.

The Switching Usage Model calculates the intraoffice and interoffice call set-up and conversation minute unit costs associated with switching and measuring in end offices. The cost model also calculates the cost of tandem switching for interoffice calls and conversation minutes. The Transport Model calculates the call set-up and conversation minute unit costs associated with transporting calls over the USWC interoffice network. The network component costs include Signaling System 7 (SS7) technology.

These network component costs, along with additional expenses, i.e., local measured service billing and collection, intercept, operator assistance, and measurement polling expenses are then multiplied by quantities required for Coin Line local service.

Intercept expense includes limited mechanical announcements informing callers of new numbers, referral numbers, and / or line status. The total non chargeable intercept expenses are divided by total annual messages to develop the non chargeable intercept cost per message. The expenses include equipment, facilities, transport, and local switching.

Operator assistance expense identifies the miscellaneous operator support such as dialing instructions and connections to directory assistance. The Operator Services Cost Analysis Program (OSCAP) is used to calculate the incremental forward looking cost of an Operator Services System (OSS) processed call. The program calculates the differential for either machine handled (MAH) or operator handled (OPH) calls compared to a Direct Distance Dialed (DDD) call. The operator assistance study uses data from the OSCAP model from January, 1995 through December, 1995.

The total messages and minutes of use are from the Switching Usage Model. The Switching Usage Model calculates the cost of end office switching and minutes of use for intra-office and inter-office calls. The assistance calls are multiplied by their specific cost per call to develop a total cost for assistance calls. The total cost is then divided by the total messages.

Measurement polling expense identifies the teleprocessing measurement costs. The costs for this study are state average costs based on the total annual costs for the end office polling equipment and software for the state and the total projected usage that represents an annual levelized usage figure for the state. The costs for the host collector location are based on the total annual costs for the equipment and software required to supervise and monitor end offices of a particular region and the total levelized usage that is polled for that region. The costs for the host collector location are developed as a cost per message and are included in the final cost per message for each state in the region.

NON RECURRING COSTS: Following is a brief explanation of the methodology used to develop the non recurring costs for Coin Line Service:

Nonrecurring costs represent the one-time charges that apply for specific work activities involved in providing Coin Line Service. The Non recurring Cost Program (NRC) performs mechanized cost calculations associated with the one time labor expense resulting from a customer request for service. Inputs to the calculations include: labor time, probability of occurrence, labor rate, and expense factors.

1. Regional negotiation times are used to develop the costs. Time estimates are obtained from field experts who actually perform the work being studied and / or from subject matter experts on staff representing the work group.
2. Company objectives for Dedicated Inside Plant (DIP) for the central office frame are used to develop a probability which weights the cost of placing and removing jumpers when a line is established or removed.
3. Company objectives for the flow through percentages for the Facility Assignment and Control System (FACS) are utilized to develop a probability which weights the costs of manual processing in the Loop Provisioning Center (LPC).
4. Probabilities related to service orders are developed from the Service Order Activity Tracking (SOAT) Reports. Historical data is used as the basis for estimating service order patterns in the future.

D. DESCRIPTION OF LONG RUN INCREMENTAL COSTS

Long Run Incremental Costs (LRIC) is the method U S WEST Communications uses to estimate product and service costs. It provides a measurement of costs over a period of time long enough to fully adjust to changes of output (including changes in the size of facilities, levels of investment, etc.) in order to optimally accommodate this change. This methodology is forward looking in nature (i.e. LRIC uses the latest technology costs or replacement costs). Since LRIC is forward looking, it does *not* measure historic investment decisions of the corporation.

The U S WEST LRIC format disaggregates the cost results on a unitized basis into the components shown below:

Total Service Long Run Incremental Cost (TSLRIC) -- Total Service Long Run Incremental cost is the forward-looking cost avoided (or added) by discontinuing (or offering) an entire service or group of services in the most efficient manner, holding constant the production of all other services produced by the firm. This cost is often referred to in economic terms as the *direct* cost.

Shared Cost (SC) -- The cost associated with the provision of multiple services (service family). This cost is not volume sensitive and is eliminated only if the entire service family is discontinued.

Total Service Long Run Incremental Costs plus Shared Costs (TSLRIC + SC)-- The Total Service Long Run Incremental Costs for a service plus the Shared Costs of a family of services.

Typically, the costs identified by these cost categories include capital costs for depreciation, return, and income taxes. LRIC also includes ongoing operating costs for: maintenance expense, assignable administration expense, product management expense, pre sales expense, sales compensation expense, expensed right to use fees, ad Valorem taxes and business fees. Other costs may apply and will have to be determined on a product by product basis.

E. STUDY ASSUMPTIONS

1. Costs are based on a least cost scorched node scenario and represent the cost of fully replacing the network required to provision the service, beginning from the existing grid of network nodes used by U S WEST today.

2. It is assumed that facilities are placed given today's actual field conditions. This leads to a greater percent of facilities placement under difficult conditions than would occur with an assumption of "green field" (i.e., easy placement) conditions.

3. Costs do not reflect the emergence of widespread competition in the local exchange market.

4. Standby capacity is a volume-sensitive cost. Non-volume sensitive spare switching capacity (e.g., modular spare) is a shared cost. Please refer to documentation for the Switching Cost Model for further explanation.

5. All network investments are forward-looking:

   i. Switching and transport equipment and facilities are digital.
   ii. SONET is the forward looking technology in the interoffice network.
   iii. Loop facilities include a least cost mix of loop technologies, including twisted pair copper and fiber optic facilities in the feeder plant, along with digital and analog pair gain equipment.

6. The loop and drop investments in this study are based on weighting together loop samples from all classes of service to produce a statewide average investment per loop. Product group factors are applied to this investment to develop a service specific loop and drop cost. Additional assumptions used in the loop and local usage studies may be found in the documentation of the RLCAP model and the local usage study respectively.

F. STUDY SUMMARY (Recurring Costs)

Study Name	*Colorado 1996 Coin Line Recurring Cost Study*	
Study Requester	*Brad Olson, Product Manager*	
Type of Study	*Total Service Long Run Incremental Costs (TSLRIC))*	
Product or Service Name	*Coin Line Service)*	
Study Applications	*Regulatory Support*	
Completion Date	*November, 1996*	
Cost Analyst	*J. E. Cushman*	
Cost Models Used	**Model**	**Version and/or Release Date**
	TWINPC3	*Version 2.40* *Database 96V2*
	RLCAP	*Version 3.5*
	Switching Usage Model	*Version 4.04*
	Transport Model	*SONET 7*
	Billing & Collection Model	*March, 1996*
Forward Looking Cost Factors Used	**Factor**	**Effective Date**
	Capital Recovery	*5/96*
	Maintenance	*2/96*
	Administration - Assignable	*5/96*
	Product Management	*5/96*
	Sales	*5/96*
	Compensation	*5/96*
	Ad Valorem	*2/96*
	Business Fees	*5/96*
	Power	*2/96*
	Sales Tax	*2/96*
	Interest During Construction	*2/96*
	Land	*5/96*
	Building	*5/96*
	Supply	*2/96*
	Telco	*2/96*
	Structure Ratio	*5/96*
	Capacity, Fills	*2/96*
	Total Installed Factor	*2/96*
	Right to Use	*2/96*
	Telephone Plant Index	*2/96*

Cost of Money	*Combined*	*11.4%*
Major Cost Drivers	*Access line and local usage costs*	

F. STUDY SUMMARY (Non Recurring Costs)

Study Summary

Study Name	*1996 Nonrecurring Colorado Basic Services - Coin Line*	
Study Requester	*Jim Cushman*	
Type of Study	*Total Service Long Run Incremental Costs (TSLRIC)*	
Product or Service Name	*Coin Line*	
Study Applications	*Price Support for Tariff Filing*	
Completion Date	*July, 1996*	
Cost Analyst	*Kenn Stobbe*	
Cost Models Used	**Model**	**Version/Release Date**
	NRC 123	*6/96*
Cost Factors Used	**Factor**	**Effective Date**
	Capital Recovery	*na*
	Maintenance	*na*
	Administration - Assignable	*5/96*
	Product Management	*5/96*
	Sales	*5/96*
	Compensation	*5/96*
	Ad Valorem	*na*
	Business Fees	*5/96*
	Power	*na*
	Sales Tax	*na*
	Interest During Construction	*na*
	Land	*na*
	Building	*na*
	Supply	*na*
	Telco	*na*
	Structure Ratio	*na*
	Capacity, Fills	*na*
Labor Rates		*11/95*
Cost of Money	*Combined*	*na*
Inflation	*Telephone Plant Index*	*na*
Major Cost Drivers	*Labor Times, Labor Rates and associated weightings.*	

G. RESULTS SUMMARY-RECURRING

Summary of Costs
COLORADO 1996
Flat Rate Coin Line Service
(Statewide Average)

12/15/96

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Access Line				
Outside Plant Loop	$ 16.64	$ 1.62	$ 18.26	$ 22.07
Drop Wire	$ 2.19	$ 0.19	$ 2.39	$ 2.88
NTS - COE	$ 1.12	$ 0.53	$ 1.65	$ 2.00
Billing & Collections	$ 0.65	$ 0.07	$ 0.71	$ 0.86
Directory Listings	$ 0.11	$ 0.01	$ 0.12	$ 0.15
Operator Non-Assistance	$ 0.39	$ 0.08	$ 0.47	$ 0.57
COE Coin Equipment	$ 0.85	$ 0.30	$ 1.15	$ 1.39
Mechanized Customer Record	$ 1.57	$ 0.16	$ 1.72	$ 2.10
Line Class Code	$0.44	$0.04	$0.48	$0.58
TOTAL ACCESS LINE	$ 23.96	$ 3.00	$ 26.96	$ 32.60

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Coin Line Service Flat Usage				
Total Set-up Cost per Month	$0.89	$1.21	$2.10	$2.53
Total Minute of Use Cost per Month	$1.42	$0.80	$2.21	$2.68
TOTAL USAGE COST PER MONTH	$2.31	$2.00	$4.31	$5.21

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Coin Line Service				
Access Line	$ 23.96	$ 3.00	$ 26.96	$ 32.60
Coin Line Service Flat Usage	$ 2.31	$ 2.00	$ 4.31	$ 5.21
TOTAL FLAT COIN LINE SERVICE	$ 26.26	$ 5.01	$ 31.27	$ 37.81

Summary of Costs
COLORADO 1996
Measured Coin Line Service
(Statewide Average)

12/15/96

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Access Line				
Outside Plant Loop	$ 16.64	$ 1.62	$ 18.26	$ 22.07
Drop Wire	$ 2.19	$ 0.19	$ 2.39	$ 2.88
NTS - COE	$ 1.12	$ 0.53	$ 1.65	$ 2.00
Billing & Collections	$ 0.65	$ 0.07	$ 0.71	$ 0.86
Directory Listings	$ 0.11	$ 0.01	$ 0.12	$ 0.15
Operator Non-Assistance	$ 0.39	$ 0.08	$ 0.47	$ 0.57
COE Coin Equipment	$ 0.85	$ 0.30	$ 1.15	$ 1.39
Mechanized Customer Record	$ 1.57	$ 0.16	$ 1.72	$ 2.10
Line Class Code	$0.44	$0.04	$0.48	$0.58
TOTAL ACCESS LINE	$ 23.96	$ 3.00	$ 26.96	$ 32.60

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Coin Line Service Measured Usage				
Total Set-up Cost per Month	$4.24	$1.57	$5.81	$7.02
Total Minute of Use Cost per Month	$1.42	$0.80	$2.21	$2.68
TOTAL USAGE COST PER MONTH	$5.66	$2.36	$8.03	$9.70

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Coin Line Service				
Access Line	$ 23.96	$ 3.00	$ 26.96	$ 32.60
Coin Line Service Measured Usage	$ 5.66	$ 2.36	$ 8.03	$ 9.70
TOTAL MEASURED COIN LINE	$ 29.62	$ 5.37	$ 34.99	$ 42.30

Summary of Costs
COLORADO 1996
Coin Line - Other Measured Usage Options
(Statewide Average)

12/15/96

Cost Element	TSLRIC	SC	TSLRIC + SC	FAC
Per Message	$0.01588	$0.00663	$0.02250	$0.02719
Intial Minute	$0.01310	$0.00507	$0.01817	$0.02196
Additional MInute	$0.00120	$0.00067	$0.00188	$0.00227

FAC = Fully Allocated Cost
TSLRIC + SC = Total Service Long Run Incremental Cost + Shared Cost

G. Results Summary

Coin Line Access Line
State of Colorado
NONRECURRING COSTS

1996 Total Service Long Run Incremental Costs and Fully Allocated Costs

Cost Element	TSLRIC	+	SC	=	TSLRIC + SC	+	Commo n Costs	=	Fully Allocated Costs
Coin Line Access Line	$ 65.21	+	$ 5.78	=	$ 70.99	+	$ 14.79	=	$ 85.78

Glossary:
TSLRIC = Total Service Long Run Incremental Cost
SC = Shared Cost

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Colorado Supplemental Documentation
for

STUDY NAME:

1996 Colorado Coin Line Costs

STUDY INDEX:

1. Q. Has an Index/Table of Contents been included with the cost support organizing both the Executive Summary and the cost study work papers? (Compliance with Rule 6.3.g).

A. Yes, please see the Table of Contents of the Executive Summary & Workpapers.

STUDY SUMMARY:

2. Q. Has a study summary been prepared that identifies the Investment Cost Model(s) used within the study, the version of the Investment Cost Model, factors used within the study, and factor release dates?

A. Yes. See pages EX-8, EX-9, and EX-10 of the study documentation.

PURPOSE, SCOPE and APPLICATION:

3. Q. Please identify the services which this study supports.

A. See page EX-1 of the documentation.

4. Q. Is this a Total Service Long Run Incremental Cost (TSLRIC) Study as defined in Rules Prescribing Principles for Costing and Pricing of Regulated Telecommunications Service Providers, Rule 2, Definition 45? If the study is a TSLRIC study, please identify the increment studied. If the study uses the TSLRIC methodology as described in part b of Definition 45 that assumes that geographic locations of routes and switches are the same as those available to the firm today, please identify the underlying assumptions included in the analysis. (Compliance with Rule 4.1.d, Rule 6.1.a and 6.2.a) If this study is not a TSLRIC study, what kind of study per Colorado Rules does this study represent? (Compliance with Rule 6.1.a and 6.1.b). If this study is not a TSLRIC study, please explain why the study is appropriate for the decision at hand. If this study is an incremental service incremental cost analysis, please verify that Rule 6.2 (a) and (b) have been satisfied.

A. Yes, this study is a Total Service Long Run Incremental Cost, as defined in Rule 2, definition 45. The methodology assumes that the geographic location of interoffice and intraoffice routes and switches are the same as those available today but that the technology reflects forward looking, least cost technology for Public Access Line Service. The entire service is the increment. See pages EX-3 and EX-4 of the documentation.

5. Q. Is this study a service cost study or a functional component study as defined in Colorado Rule 4.1.c? If a functional component study, please identify where the mapping of the functional components to services is included in the documentation.

A. Service cost study.

6. Q. Do the Colorado Rules suggest that an imputation analysis should be performed as part of the cost analysis? (Compliance with Rule 4.1.f and 4.2.c) If yes, please identify where USWC has substituted rates for costs in the analysis and/or identify that a request for a waiver from this rule is required. Please also describe why the imputation is appropriate.

A. The Public Access Line rate is used as an element to be imputed into other retail coin services, but does not have elements imputed into it.

7. Q. Does the cost study define all elements in the same terms as the Colorado Rule 2 definitions? If not, please provide a translation sheet that correlates USWC cost terms to the Colorado cost terms.

A. Please see page EX-20 in the documentation for this study that provides a translation sheet correlating USWC terms to terms used in the Colorado cost and pricing rules. Please also note that whenever the terms NLRIC or LRIC is used within the USWC study, the term represents the disaggregated TSLRIC methodology used by USWC.

8. Q. If this study is a regional or multi-state study, rather than a Colorado specific study, please identify the region included within the study and explain why a regional study is appropriate.

A. Some portions of the Public Access Line study represent U S WEST regional cost data rather than solely Colorado specific cost data. Billing and collection (section C2c), operator assistance (section C3e), intercept (section C3d), and measurement polling (section C3f) type costs represent multistate perspectives. These are appropriate because these functions are performed on a multi-jurisdictional level.

SERVICE DESCRIPTION:

9. Q. Has a description/diagram of the service been provided that relates the network components to the service?

A. Yes, please see pages EX-1 through EX-3 of the documentation.

10. Q. Have all network components used by the service been described?

A. Yes, please see pages EX-1 through EX-3 of the documentation.

STUDY METHODOLOGY:

11. Q. Has a description of the cost methodology been included in the Executive Summary?

A. Yes, see pages EX-1 through EX-3 of the documentation.

12. Q. As part of the cost analysis have fixed and variable costs been identified within the planning period (Compliance with Rule 6.1.d)?

A. Yes, see pages EX-11 through EX-13 of the documentation.

13. Q. What is the planning horizon for each of the network components used within the study? (Compliance with Rule 6.1.d).

A. The planning horizon for each network component are as follows:

Network Component	Planning Period
Switching	Two year engineering period, planning period of five years.
Transport	3 to 5 year planning period
Measurement	5 year planning period

14. Q. Have any sunk costs been included within the cost estimates? If so, please identify and justify. (Compliance Rule 6.1.e).

A. No.

15. Q. Have all known costs (billing, marketing, advertising, network, etc.) been included in the cost analysis? If not, please identify why not and estimate the cost if the costs should have been included but were omitted. (Compliance with Rule 4.1.e.)

A. Yes.

16. Q. Have any costs been reclassified within the study for rate recovery purposes from recurring to non-recurring, or vice versa? If yes, please provide the documentation that identifies the methodology that supports the reclassification and explain why the reclassification is appropriate. Note if answer is yes, both recurring and non recurring cost support work papers should be provided.

A. No.

17. Q. Please identify the demand source and describe how these quantities were verified.

A. See section C3.

ASSUMPTIONS:

18. Q. Was this study completed in the last three years? If no, please identify that a waiver should be filed requesting a waiver of Rule 4.1.h for this study. Please note that simply inflating the final result of study that was performed over three years ago does not comply with the intent of the Rule and in those situations a waiver should be requested.

A. Yes.

19. Q. Has any part of the study been inflated beyond two years? If so, please provide justify why the use of inflation factors beyond two years is appropriate.

A. Yes. The intercept (section C3d) and operator assistance (section C3e) costs were inflated. This was appropriate because these elements represent a releatively small proportion of the study results.

20. Q. Has USWC relied upon any other documents when making any assumptions within the study? If so, please reference the documents here.

A. Yes. See data provided on page EX-21 that identifies the data underlying USWC's cost of money used within the cost analysis.

21. Q. Have the following cost levels been identified on a per unit or aggregate basis? (Compliance with Rule 6.1.f and Commission order in Docket 371-T.)

A. Yes, see referenced pages for per unit costs.

Colorado Terminology	USWC Terminology	Page
Average Variable Cost	TSLRIC	EX-9 through EX-11
Average Fixed Cost (Service)	TSLRIC	EX-9 through EX-11
Average Fixed Cost (Group)	Shared Cost	EX-9 through EX-11
TSLRIC (Group)	TSLRIC + Shared	EX-9 through EX-11
Overhead Cost	Common Cost	EX-9 through EX-11

22. Q. Has USWC cross referenced the study results above to the appropriate work paper pages.

A. Yes.

24. Q. Has USWC provided fully allocated cost as a surrogate for the FDC service or new service requirements associated with Rule 4.1.a or b? If yes, please identify that a waiver of Rule 4.1.a concerning methodology should be filed.

A. Yes. A waiver of the methodology associated with Rule 4.1.a (any service rate proposal) or 4.1.b (a new service using existing investment) has been filed.

WORK PAPERS:

25. Q. Have all work papers been included in the study? (Compliance with Rule 6.3.a)

A. Yes.

26. Q. Have all source documents been clearly identified and are they readily available if not provided as part of the study documentation? (Compliance with Rule 6.3.a, 6.3.b and 6.3.d.)

A: Yes.

27. Q. Are pages numbered and cross referenced?

A. Yes.

28. Q. Are all algorithms identified in any spreadsheets included as part of the work papers?

A. Yes.

29. Q. Are all labels (dollars/ft, etc.) clearly labeled and traceable back to their source documents? (Compliance with Rule 6.3.e).

A. Yes.

30. Q. Have all work sheets/ spreadsheets been provided on diskette using standard spreadsheet or data base software/ If yes, please provide a list of the files included. If no, please explain why the data has not been provided on standard database software.

A. See diskette labeled 1996 Colorado Coin Line Service Cost.

EXHIBIT C

APPENDIX S

RECEIVED
JAN - 6 REC'D
PHOENIX ADM. OFFICE
12/31/98

BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
Commissioner - Chairman
RENZ D. JENNINGS
Commissioner
CARL J. KUNASEK
Commissioner

Arizona Corporation Commission
DOCKETED
DEC 31 1998
DOCKETED BY ad

IN THE MATTER OF THE APPLICATION OF U S WEST COMMUNICATIONS, INC. FILING TO REVISE ITS NETWORK SERVICES TARIFF (Public Access Line Services)	Docket No. T-01015A-97-0024 **DECISION No.** 61304 **ORDER**
IN THE MATTER OF THE FILING OF TARIFFS BY NAVAJO COMMUNICATION COMPANY	Docket No. T-02115A-97-0041
IN THE MATTER OF THE FILING OF TARIFFS BY CITIZENS UTILITIES COMPANY (MOHAVE COUNTY)	Docket No. T-01032A-97-0042
IN THE MATTER OF THE FILING OF TARIFFS BY CITIZENS TELECOMMUNICATIONS COMPANY OF THE WHITE MOUNTAINS, INC.	Docket No. T-03213A-97-0043

Open Meeting
December 30, 1998
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. U S WEST Communications, Inc ("U S WEST"), Navajo Communications Company ("Navajo"); Citizens Utilities Company (Mojave County) ("Citizens-Mojave") and Citizens Communications of the White Mountains ("Citizens-White Mountains"), collectively "Citizens Utilities") are Arizona public service corporations providing local exchange service within the State of Arizona.

2. On January 17, 1997, U S WEST filed a tariff revision to its Network Service Tariff (the "U S WEST proceeding"). On January 27, 1997, Navajo, Citizens-Mojave and Citizens-White Mountains each filed revisions to their Telephone Services Tariff (the "Citizens Utilities proceedings").

3. On February 11, 1997, the Arizona Payphone Association ("APA") was granted intervention in the U S WEST proceeding and Citizens Utilities proceedings.

4. The rates and charges currently in effect for public access line service provided by U S WEST and Citizens Utilities were approved subject to true-up in Decisions Nos. 60135 (April 15, 1997) (U S WEST); 60130 (April 15, 1997) (Citizens-Mojave); 60132 (Navajo); and 60129 (Citizens-White Mountain), respectively.

5. Staff and APA have reached agreement on a number of issues in the U S WEST proceeding and Citizens Utilities proceedings.

6. The particulars of the agreement are memorialized in a written Settlement Agreement ("Agreement") dated November 4, 1998. Staff filed the Agreement with the Commission and provided all parties in the above dockets with copies of the Agreement.

7. Procedural orders governing the conduct of these proceedings were issued. The procedural orders established procedures for discovery; established dates for U S WEST, Citizens Utilities, Staff, APA and intervenors to file testimony or comments; and set a hearing date at which all parties would be able to present witnesses and evidence and cross-examine the witnesses of other parties.

8. All parties and intervenors had the opportunity to file testimony or comments regarding the Agreement, and to present witnesses and exhibits and to cross-examine witnesses presented by other parties.

9. Commencing on December 21, 1998, a hearing was held on these matters at the Commission's offices in Phoenix, Arizona.

10. Staff and APA believe that the Agreement they have reached is consistent with the public interest. A copy of the Agreement is attached hereto as Exhibit "A".

. . . .

CONCLUSIONS OF LAW

1. U S WEST Communications, Inc ("U S WEST"), Navajo Communications Company ("Navajo"); Citizens Utilities Company (Mojave County) ("Citizens-Mojave") and Citizens Communications of the White Mountains ("Citizens-White Mountains"), collectively "Citizens Utilities") are public service corporations within the meaning of Article 15 of the Arizona Constitution and Title 40 of the Arizona Revised Statutes.

2. The Commission has jurisdiction over U S WEST and Citizens, over the subject matter of these proceedings, and over the Agreement submitted by the Staff and APA.

3. Notice of this matter was provided in accordance with law.

4. The Agreement resolves all matters contained therein in a manner which is just and reasonable, and which promotes the public interest.

5. The Commission's acceptance and approval of the terms of the Agreement between Staff and APA are in the public interest.

6. The rates and charges contained in the Agreement are just and reasonable and in compliance with all applicable state and federal law.

7. U S WEST and Citizens Utilities should be directed to file tariffs consistent with the Agreement and the findings contained herein.

8. U S WEST and Citizens should be directed to keep an accounting of the revenue impact of this Order which may be considered, as appropriate, in their next respective rate cases filed with the Commission.

ORDER

IT IS THEREFORE ORDERED that this Order incorporates the Agreement executed between APA and Staff, and such Order is expressly conditioned thereon.

IT IS FURTHER ORDERED that the terms and conditions of the Agreement be and the same are hereby adopted and approved.

IT IS FURTHER ORDERED that the approvals agreed to in the Agreement are hereby approved.

. . . .

IT IS FURTHER ORDERED that U S WEST and Citizens Utilities are authorized and directed to file schedules of rates and charges consistent with the Findings and Conclusions of this Order.

IT IS FURTHER ORDERED that U S WEST and Citizens shall keep an accounting of the revenue impact of this Order which may be considered, as appropriate, in their next respective rate cases filed with the Commission.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Commissioner-Chairman Commissioner Commissioner

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 31st day of December 1998.

JACK ROSE
Executive Secretary

DISSENT_______________

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the Arizona Corporation Commission Staff ("Commission Staff") and the Arizona Payphone Association ("APA") (collectively "the Parties").

Recitals.

1. On January 17, 1997, US WEST Communications, Inc. ("US West") filed with the Arizona Corporation Commission ("Commission") a tariff revision to its Network Services Tariff. That matter is captioned *In the Matter of the Application of US West Communications, Inc. Filing To Revise Its Network Services Tariff (Public Access Line Services)*, Docket No. T-01051B-97-0024 ("the US West Matter").

2. On January 27, 1997, Citizens Utilities Company, Mohave County, Citizens Telecommunications Company of the White Mountains, Inc. and Navajo Communications Company (collectively "Citizens") filed with the Arizona Corporation Commission ("Commission") tariff revisions to their Telephone Service Tariff. Those matters are captioned, respectively, *In the Matter of the Filing of Tariffs by Navajo Communications Company*, Docket No. T-2115A-97-041, *In the matter of the Filing of Tariffs by Citizens Utilities Company (Mohave County)*, Docket No. T-1032B-97-042, and *In the matter of the Filing of Tariffs by Citizens Telecommunications Company of the White Mountains, Inc.*, Docket No. T-3213A-97-043 (collectively "the Citizens Matter").

3. The US West Matter and the Citizens Matter concern, among other things, those companies' tariff rates for Public Access Lines ("PAL") service and whether US West's and Citizens' PAL rates comply with the Telecommunications Act of 1996 and Federal Communications Commission ("FCC") requirements that PAL rates be "cost-based" and meet the "new services test."

4. APA represents over 5,000 independently owned pay telephones in Arizona. Within US West's and Citizens' local exchange areas, APA's members purchase PAL service from US West and Citizens. Consequently, on February 11, 1997, the Commission granted APA's motions to intervene in the US West matter and the Citizens matter.

5. On April 15, 1997, Commission Decision Nos. 60129, 60130 and 60132 were issued, which approved Citizens PAL tariffs, subject to further examination and true-up. In Decision No. 60135, dated April 15, 1997, the Commission also approved US West's PAL tariffs, subject to further examination and true-up.

6. On July 15, 1997, APA filed a Motion to Consolidate and Motion for Procedural Order in the Citizens Matter, which was subsequently amended on July 23, 1997. The Motion requested the Commission to consolidate Citizens' three tariff filing dockets into one and to require Citizens to establish that all its PAL rates comply with the Telecommunications Act of

1996 and relevant FCC Orders, and further that APA be allowed to submit data demonstrating that Citizens' PAL rates do not comply with Federal requirements, and to propose alternate PAL rates.

7. On July 16, 1997, APA filed a Motion for Procedural Order in the US West Matter requesting that the Commission require US West to establish that its PAL rates comply with the Telecommunications Act of 1996 and all FCC requirements, and further that APA be allowed to submit data demonstrating that US West's PAL rates do not comply with Federal requirements, and to propose alternate PAL rates.

8. On October 10, 1997, the Commission issued Procedural Orders in the US West Matter and the Citizens Matter consolidating the Citizens dockets into one and ordering US West and Citizens to provide certain information to APA, ordering Commission Staff to respond to data requests promulgated by APA, and giving APA 30 days to file any information regarding whether US West's and Citizens' proposed new PAL rates complied with FCC requirements. The Commission further ordered that a review of PAL rates which were not new should be undertaken in a future proceeding.

9. On October 15, 1997, APA filed Motions for Reconsideration of the Commission's October 10, 1997 Procedural Orders requesting, among other things, that an accounting order be issued requiring US West and Citizens to true-up their PAL rates from April 15, 1997 until such time as new PAL rates that are in compliance with the FCC's new services test became effective.

10. On December 2, 1997, the Commission issued Procedural Orders in the US West Matter and the Citizens Matter ordering that Staff and APA file their completed reviews of US West's and Citizens' SPAL rates by December 15, 1997. The Order also required Staff to file a report no later than January 15, 1998, setting forth its analysis, conclusions and recommendations as to whether US West's payphone tariffs comply with the Telecommunications Act of 1996 and the FCC rules. Staff was ordered to file a similar report on Citizens' payphone Tariffs.

11. On December 15, 1997, APA filed its Comments in opposition to the PAL rates filed by US West. Included in its Comments was an Affidavit of Dr. Michael J. Ileo, Ph.D., an economist and expert in the analysis of regulated utility rates in support of APA's position on US West's PAL rates.

12. On December 15, 1997 and January 15, 1998, Staff filed its Reports on US West's and Citizens' PAL rates.

13. On March 2, 1998, APA filed its Comments in opposition to the PAL rates filed by Citizens. Included in its Comments was an Affidavit of Michael J. Ileo, in support of APA's position on Citizens' PAL rates.

14. On August 25, 1998, APA filed supplemental findings of Michael J. Ileo in the US West Matter in support of APA's position.

15. On August 31, 1998 APA filed supplemental findings of Michael J. Ileo in the Citizens Matter in support of APA's position.

16. On October 26, 1998, the Commission issued a Procedural Order in the US West Matter concluding (1) that the FCC's new services test applies to all US West's PAL rates, (2) that a hearing is necessary to determine whether US West's PAL rates comply with FCC requirements, (3) that the Commission cannot adjust US West's rates outside of a rate case, except that it can permit interim rates under emergency situations, and (4) that, if it is determined that US West's PAL rates do not comply with the new services test, APA members will be entitled to a refund subject to a legal rate of interest. The Commission further set a time for a hearing to determine whether US West's PAL rates comply with FCC requirements.

17. The FCC's deadline for implementation of rates set in accordance with FCC requirements was April 15, 1997. In a subsequent order, the FCC required rates established after April 15, 1997 to be trued-up retroactive to that date. In view of these pronouncements by the FCC, and in light of the agreements herein regarding PAL rates, an emergency situation exists which justifies adjustment to PAL rates outside a general rate case.

18. Commission Staff and APA have engaged in discussions intended to amicably resolve issues relating to PAL rates for US West and Citizens. For purposes of this Agreement, Commission Staff and APA agree to the use of the applicable common business line rate as the PAL rate in the future.

19. It is in the public interest that PAL rates be modified to reflect this Agreement upon its approval and that US West and Citizens refund the excess amounts paid to PAL users, as calculated in paragraph D with interest from the date of approval.

THEREFORE, in order to settle and resolve certain disputed issues concerning US West's and Citizens' PAL Rates, Commission Staff and APA agree as follows:

__Agreement.__

A. US West's and Citizens' rates for flat full resale PAL services shall be fixed at the same rate as their respective business line, in the case of US West, $17.68 and in the case of Citizens Utilities Rural Company, Inc., $21.67; in the case of Citizens Telecommunications Company of the White Mountains, Inc. and Citizens Telecommunications of Arizona, Base rate is $35.10, Zone 1 rate is $38.10, inclusive of the End User Common Line Charge (the "new PAL rate"). To the extent additional charges would be added to provide common business line service, such charges shall be added for the provision of a PAL line at their current rate.

B. The new PAL rates shall become effective upon approval of this Settlement Agreement by the Commission. US West and Citizens should be required to file tariffs that reflect the new PAL rates within 10 days of the approval of this Agreement.

C. The new PAL rates shall be retroactive to April 15, 1997. US West and Citizens shall be required to true-up their PAL rates retroactive from the date of approval to April 15, 1997.

D. US West and Citizens shall, within 30 days of the date this Settlement Agreement is approved by the Commission, provide a refund to all users of PALs in Arizona from April 15, 1997 until the new PAL rates are authorized for the difference between the new PAL rates and the rates in effect from April 15, 1997 until the time the new PAL rates are authorized, plus interest accrued at the rate of ten percent (10%) per annum.

E. All PAL rates referenced under this agreement are basic PAL rates. Otherwise approved charges for SmartPAL tariffs shall remain in effect.

F. This Agreement represents an attempt to compromise and settle disputed claims in a manner consistent with the public interest. Nothing contained in this Agreement is an admission by any of the parties that any of the positions taken, or that might be taken by each in formal proceedings, is unreasonable. In addition, acceptance of this Agreement by the parties is without prejudice to any position taken by any party in these proceedings.

G. Each provision of this Agreement is in consideration and support of all the other provisions, and expressly conditioned upon acceptance by the Commission without change. In the event that the Commission fails to adopt this Agreement according to its terms by December 31, 1998, this Agreement shall be deemed withdrawn and the parties shall be free to pursue their respective positions in these proceedings without prejudice. The Parties hereby request that the Commission set a hearing on this Settlement Agreement in November 1998 and place this Settlement Agreement on its open meeting agenda for December 1998.

H. The terms and provisions of this Agreement apply solely to and are binding only in the context of the provisions and results of this Agreement and none of the positions taken herein by the parties may be referred to, cited or relied upon by any other party in any fashion as precedent or otherwise in any other proceeding before this Commission or any other regulatory agency or before any court of law for any purpose except in furtherance of the purposes and results of this Agreement.

I. Nothing in this Settlement Agreement shall affect or violate the March 4, 1996 Settlement Agreement between APA and US West.

ARIZONA CORPORATION COMMISSION STAFF

By Ray T. Williamson

Ray Williamson
Acting Director, Utilities Division

November 4, 1998
Date

ARIZONA PAYPHONE ASSOCIATION

By Gary J. Joseph

Gary Joseph
President

November 4, 1998
Date

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EXHIBIT D

Smart PAL (Coin Line) Price Development Matrix

Monthly Recurring Cost and Price for Message and Flat Service

	AZ	CO	IA	ID(S)	ID(N)	MN	MT	ND	NE	NM	OR	SD	UT	WA	WY
Basic PAL(costs per new studies), prices per existing tariffs):															
Message Cost	$24.71	$27.97	$36.01	$31.04	$31.04	$30.80	$35.90	$23.57	$22.08	$29.76	$17.46	$26.28	$24.60	$27.43	$17.07
Message Price (tariff)	$17.16	$18.07	$24.00	$26.02		$26.40	$20.36		$23.25	$17.60	$18.00	$22.75	$13.76		$18.63
Flat Cost	$29.01	$33.17	$38.36	$33.66	$33.66	$39.03	$37.63	$25.15	$23.49	$32.56	$19.72	$28.35	$26.84	$32.39	$19.32
Flat Price (tariff)	$42.31	$46.63	$28.15		$21.49	$55.00		$26.70	$41.50			$34.75		$18.40	$30.56
Smart PAL(Cost and Proposed Prices):															
Message Cost	$27.64	$32.60	$42.37	$35.67	$35.67	$34.37	$39.79	$28.38	$25.89	$32.78	$20.12	$30.66	$27.88	$30.42	$23.76
Message Price	$19.19	$21.06	$28.24	$29.90		$29.46	$22.57		$27.26	$19.39	$20.74	$26.54	$15.59		$25.93
Flat Cost	$31.94	$37.81	$44.71	$38.28	$38.29	$42.60	$41.51	$29.97	$27.30	$35.58	$22.40	$32.74	$30.12	$35.38	$26.01
Flat Price	$46.58	$53.15	$32.81	$42.50	$24.45	$60.03	$45.39	$31.82	$48.23	$40.00	$34.00	$40.13	$40.42	$21.98	$41.14
Difference (Smart less Basic PAL):															
Message Cost Dif	$2.93	$4.63	$6.36	$4.63	$4.63	$3.57	$3.89	$4.81	$3.81	$3.02	$2.66	$4.38	$3.28	$2.99	$6.69
Message Price Dif	$2.03	$2.99	$4.24	$3.88		$3.06	$2.21		$4.01	$1.79	$2.74	$3.79	$1.83		$7.30
Flat Cost Dif	$2.93	$4.64	$6.35	$4.62	$4.63	$3.57	$3.88	$4.82	$3.81	$3.02	$2.68	$4.39	$3.28	$2.99	$6.69
Flat Price Dif	$4.27	$6.52	$4.66		$2.96	$5.03		$5.12	$6.73					$3.58	$10.58
S-PAL Price Factors (based on markup of B-PAL):															
Msg. Adj. Percent	-30.55%	-35.40%	-33.35%	-16.17%		-14.29%	-43.29%		5.30%	-40.86%	3.09%	-13.43%	-44.07%		9.14%
Msg. Adj. Amount	($8.45)	($11.54)	($14.13)	($5.77)		($4.91)	($17.22)		$1.37	($13.39)	$0.62	($4.12)	($12.29)		$2.17
Flat Adj. Percent	45.85%	40.58%	-26.62%		-36.16%	40.92%		6.16%	76.67%			22.57%		-43.19%	58.18%
Flat Adj. Amount	$14.64	$15.34	($11.90)		($13.84)	$17.43		$1.85	$20.93			$7.39		($15.28)	$15.13

* Whenever possible, factors for setting Smart PAL prices are based on Basic PAL price/cost relationship.

** All costs used are TSLRIC+SC except for Colorado and Iowa which used FAC, and Oregon which used TSLRIC.

EXHIBIT E

COPY

STATE CORPORATION COMMISSION

BEFORE THE NEW MEXICO STATE CORPORATION COMMISSION

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IN THE MATTER OF
COMPLIANCE WITH
FEDERAL REGULATION
OF PAYPHONES

Docket No. 97-69-TC

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

This matter came before the New Mexico State Corporation Commission ("Commission") on the filings by various telephone companies in four separate dockets. These companies indicated that the purpose of their filings were to meet the requirements regarding payphones set forth in orders issued by the Federal Communications Commission ("FCC") in docket number 96-128, including Report and Order issued September 20, 1996 ("Payphone Order") and Order on Reconsideration issued on November 8, 1996 ("Order on Reconsideration"). The Commission, by Notice of Consolidation and Hearing filed on February 21, 1997 ("Notice"), consolidated all of the filings into one docket. Since the time the Notice was filed by the Commission, the FCC has issued two additional orders, both captioned Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, but one issued on April 4, 1997 ("Bureau Waiver Order"), and the other issued on April 15, 1997 ("New Services Test Order"). The Commission, being otherwise fully and sufficiently advised in the premises **FINDS**:

1. In its Notice the Commission set a public hearing for March 24, 1997, directed applicants and all other LEC's who are required to comply with the Federal Regulations to file a formal application and pre-filed testimony by February 28, 1997. The Notice required motions to intervene and intervenor testimony to filed on March 17, 1997. Reply testimony was required to be filed by March 21, 1997.

2. On February 21, 1997, Dell Telephone Company ("Dell") filed its application. On February 27, 1997, Dell amended its application and filed the direct testimony of David C. Lewis, Jr. Dell is a Texas corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

3. On February 27, 1997, Leaco Rural Telephone Cooperative, Inc., ("Leaco"), filed a Motion for Enlargement of Time in which to file its formal application and pre-filed testimony to March 7, 1997. By order entered March 4, 1997, the Commission granted Leaco's motion. On March 7, 1997, Leaco filed its application and the direct testimony of James E. West, Jr. Leaco is a New Mexico non-profit corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

4. On March 3, 1997, Penasco Valley Telephone Cooperative, (Penasco) filed a Motion for Extension of Time in which to file its formal application and pre-filed testimony to March 7, 1997. By order entered March 5, 1997, the Commission granted Penasco's motion. On March 7, 1997, Penasco filed the direct testimony of Robert K. Crumrine. No formal application nor accompanying tariff filed on behalf of Penasco appears in the Chief Clerk's file. Penasco is a New Mexico corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

5. On February 27, 1997, Century Telephone of Southwest, Inc., ("Century"), filed a Motion for Extension of Time in which to file its formal application and pre-filed testimony to March 4, 1997. On March 7, 1997, Century filed its application and the direct testimony of G. Clay Bailey. Because the Commission did not act on the motion prior to March 4, 1997, the

Commission, by this order, hereby extends the time for filing Century's application and pre-filed testimony until March 7, 1997. Century is a New Mexico corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

6. On February 28, 1997, U S West Communications, Inc., ("US WEST"), filed its application and the direct Testimony of Warren R. Couture, Jr. US WEST is a Colorado corporation organized under the laws of the state of Colorado, engaged in the business of conducting a general communications business in the state of New Mexico, and is authorized to do business as a foreign corporation in the state of New Mexico.

7. On February 28, 1997, GTE Southwest Incorporated, Inc., ("GTE"), filed its application and the direct testimony of Alfred E. Banzer. GTE is a Texas corporation certificated by the Commission to provide, and is currently providing local exchange telecommunications services within the state of New Mexico.

8. On February 28, 1997, La Jicarita Telephone Cooperative ("La Jicarita") filed its application and the direct testimony of Leslie Christina Pilgrim. La Jicarita is a New Mexico corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

9. On February 28, 1997, Navajo Communications Company ("Navajo") filed its application and the direct testimony of Charles E. Born. Navajo is an Arizona corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

10. On February 28, 1997, Tularosa Basin Telephone Company ("Tularosa") filed its

application and the direct testimony of Leslie Christina Pilgrim. Tularosa is a New Mexico corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

11. On February 28, 1997, Roosevelt County Telephone Cooperative ("Roosevelt") filed its application and the direct testimony of Leslie Christina Pilgrim. Roosevelt is a New Mexico corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

12. On February 28, 1997, Baca Valley Telephone Company ("Baca") filed its application and the direct testimony of Leslie Christina Pilgrim. Baca is a New Mexico corporation certificated by the Commission to provide, and is currently providing, local exchange telecommunications services within the state of New Mexico.

3. On March 17, 1997, AT&T Communications of the Mountain States, Inc., ("AT&T"), file a Motion to Intervene in this docket. On the same day, AT&T filed the direct testimony of Warren R. Fischer. AT&T is a Colorado corporation which provides telecommunications services, including interexchange services, throughout New Mexico. The Commission, by this order, hereby grants AT&T's Motion to Intervene.

14. On March 19, 1997, MCI Telecommunications Corporation ("MCI") filed a motion to intervene late. At the hearing, Staff represented that MCI would not be attending the hearing. MCI's motion is therefore deemed moot.

15. The Notice was published in the Albuquerque Journal on February 25, 1997, as evidenced by the affidavit of publication in the file.

16. Hearings on the merits of the applications were held at the Commission on March 24,

25, and 26, 1997. Avelino A. Gutierrez presided as hearing officer.

17. On March 24, 1997, AT&T filed a Motion for Admission Pro Hac Vice for Michel Singer, Esq. and Mary Steele, Esq. The Motion was granted on March 24, 1997.

18. At the hearings, the following counsel entered their appearances on behalf of the following parties:

Joan Ellis Staff Attorney	Telecommunications Department, New Mexico State Corporation C ommission
James H. Gallegos Staff Attorney	US WEST
Joseph Manges Carpenter, Comeau, Maldegen, Nixon & Templeman	GTE, Navajo, La Jicarita, Baca, Tularosa, Roosevelt
Patricia Salazar Ives Simons, Cuddy & Friedman	Century
Gene Samberson Heidel, Samberson, Newell & Cox	Leaco
Ron Van Amberg	Dell
Jim Martin Hinkle, Cox, Eaton, Coffield & Hensley, P.A.	Penasco

19. Section 276 of the Federal Telecommunications Act of 1996 (the "Act") states:

Section 276. PROVISION OF PAYPHONE SERVICE.

(a) Nondiscrimination Safeguards.-- After the effective date of the rules prescribed pursuant to subsection (b), any Bell operating company that provides payphone service--

(1) shall not subsidize its payphone service directly or indirectly from its telephone exchange service operations or its exchange access operations; and

(2) shall not prefer or discriminate in favor of its payphone service.

(b) Regulations.--

(1) Contents of regulations.--In order to promote competition among payphone service providers and promote the widespread deployment of payphone services to the benefit of the general public, within 9 months after the date of enactment of the Telecommunications Act of 1996, the Commission [FCC] shall take all actions necessary (including any reconsideration) to prescribe regulations that--

(A) establish a per call compensation plan to ensure that all payphone service providers are fairly compensated for each and every completed intrastate and interstate call using their payphone, except that emergency calls and telecommunications relay service calls for hearing disabled individuals shall not be subject to such compensation;

(B) discontinue the intrastate and interstate carrier access charge payphone service elements and payments in effect on such date of enactment, and all intrastate and interstate payphone subsidies from basic exchange and exchange access revenues, in favor of a compensation plan as specified in subparagraph (A);

(C) prescribe a set of nonstructural safeguards for Bell operating company payphone service to implement the provisions of paragraphs (1) and (2) of subsection (a), which safeguard shall, at a minimum, include the nonstructural safeguards equal to those adopted in the Computer Inquiry-III (CC docket No 90-623) proceeding;

* * *

(d) Definition.-- As used in this section, the term "payphone service" means the provision of public or semi-public pay telephones, the provision of inmate telephone service in correctional institutions, and any ancillary services.

* * *

47 U.S.C.A. § 276 (1996).

20. Consistent with § 276(b) (1) (A) of the Act, the Payphone Order requires that Payphone Service Providers ("PSPs") are to be compensated for "each and every completed intrastate and interstate call" originated by their payphones. Payphone Order at ¶¶ 48-76. The Payphone Order also requires Interexchange Carriers ("IXCs") with annual toll revenues in excess of $100 million to pay PSPs for the first year based on their respective market shares, an interim, flat-rated compensation in the amount of $45.85 per payphone per month. Id. at ¶¶ 119-

126. The $45.85 amount was based on an average of 131 access code calls and subscriber 800 calls per payphone multiplied by the $.35 compensation amount. Payphone Order at ¶ 125. The FCC determined the $.35 compensation amount based on the local coin rate in four of the five states that have deregulated their local calling rates. Payphone Order at ¶ 72. The FCC concluded that the market-based rate in these states is the best evidence of a per-call compensation amount that will fairly compensate PSPs. Id.

21. The Payphone Order also requires that beginning October 7, 1997, IXC's will be required to pay PSP's a default rate of $.35 for each compensable call, which may be changed by mutual agreement. Payphone Order at ¶ 51; Order on Reconsideration at ¶ 7. In other words, beginning on October 7, 1997, the market will be allowed to set the rate for local coin calls, unless the state can show that there are market failures that would not allow market-based rates. Id.

22. In the Order on Reconsideration, the FCC concluded that to be eligible to receive compensation, a Local Exchange Carrier ("LEC") must be able to certify the following;

> 1) it has an effective cost accounting manual ("CAM") filing;
> 2) it has an effective interstate CCL tariff reflecting a reduction for deregulated payphone costs and reflecting additional multiline subscriber line charge ("SLC") revenue;
> 3) it has effective intrastate tariffs reflecting the removal of charges that recover the costs of payphones and any intrastate subsidies;
> 4) it has deregulated and reclassified or transferred the value of payphone customer premises equipment ("CPE") and related costs as required in the Report and Order;
> 5) it has in effect intrastate tariffs for basic payphone services (for "dumb" and "smart" payphones); and
> 6) it has in effect intrastate and interstate tariffs for unbundled functionalities associated with those lines.

Order on Reconsideration at ¶ 131.

23. The Payphone Order required that states determine the intrastate rate elements that

must be removed to eliminate any intrastate subsidies. Payphone Order at ¶ 186. The revised rates are required to be effective no later than April 15, 1997. Id.

24. In the Bureau Waiver Order, the FCC reemphasized that the LECs must comply with all of the requirements established in the previous payphone orders except as waived in the Bureau Waiver Order. Bureau Waiver Order at ¶ 30. These requirements are;

> 1) that payphone service intrastate tariffs be cost-based, consistent with § 276, and nondiscriminatory; and
> 2) that the states ensure that payphone costs for unregulated equipment and subsidies be removed from the intrastate local exchange service and exchange access service rates.

Id.; Order on Reconsideration at ¶ 163.

25. The Payphone Order required that incumbent LECs must offer individual central office coin transmission services to PSPs under nondiscriminatory, public, tariffed offerings if the LECs provide those services for their own operations. Payphone Order at ¶ 146. This requires incumbent LECs to provide coin service so competitive payphone providers can offer payphone services using either instrument-implemented "smart" or "dumb" payphones that utilize central office coin services, or some combination of the two in a manner similar to the LECs. Id.

26. In the New Services Test Order, the FCC adopted a limited waiver enlarging the time that LECs have to file intrastate payphone service tariffs as required, but largely ignored by the LECs, by the Order on Reconsideration and the Bureau Waiver Order that satisfy the "new services" test, for the purpose of allowing a LEC to be eligible to receive the payphone compensation amount. New Services Test Order at ¶ 18. Specifically, the waiver;

> enables LECs to file intrastate tariffs consistent with the "new services" test of the federal guidelines required by the Order on Reconsideration and the Bureau Waiver Order, including cost support data, within 45 days of the April 4, 1997

release date of the Bureau Waiver Order and remain eligible to receive payphone compensation as of April 15, 1997, as long as they are in compliance with all of the other requirements set forth in the Order on Reconsideration.

27. The FCC made it clear in the New Services Test Order that the states have the responsibility of determining whether the intrastate tariffs have been filed in accordance with the "new services" test:

> Moreover, the states' review of the intrastate tariffs that are the subject of this limited waiver will enable them to determine whether these tariffs have been filed in accordance with the Commission's [FCC's] rules, including the "new services" test.

New Services Test Order at ¶ 23.

28. The "new services" test is stated in volume 27 of the Code of Federal Regulations:

> Each tariff filing submitted by a local exchange carrier specified in §61.41(a) (2) or (3) of this part that introduces a new service or a restructured unbundled basic service element (BSE) (as BSE is defined in § 69.2 (MM)) that is or will later be included in a basket must be accompanied by cost data sufficient to establish that the new service or unbundled BSE will recover more than a reasonable portion of the carrier's overhead costs.

47 C.F.R. § 61.49(g) (2) (1996).

29. Notably, the New Services Test Order requires LECs to reimburse customers or provide a credit from April 15, 1997 in situations where the tariff is lowered:

> A LEC who seeks to rely on the waiver granted in the instant Order must reimburse its customers or provide credit from April 15, 1997 in situations where the newly tariffed rates, when effective, are lower than the existing tariffed rates.

New Services Test Order at ¶ 25.

NAVAJO

30. Navajo's application proposed to add a Coin Line Supervision Service, and presented evidence that its new proposed tariff charges were in the public interest. Tr., Vol. III at 7-8. Coin Line Supervision Service provides dial tone, then in-band signaling capability form a

central office for pay telephones that do not have signaling capability within the telephone. Id. The features are additives to the operation of a flat rate access line that provides for central office implemented coin line service. Id. The features of this service include coin supervision, coin control, collect and return of coins, if applicable, and answer supervision. Id.

31. Navajo presented evidence that it has 50 public and semipublic payphones and 93 COCOT payphones in New Mexico, and that its current investment in those phones is only .8 percent of its net plant investment. Tr., Vol. II at 159. Consequently, Navajo stated, there would be no impact on Carrier Common Line ("CCL") rates, because there is no subsidy contained in the rates and charges of the company. Tr., Vol. II at 161.

32. However, on June 17, 1997, Navajo filed a supplemental filing with the Commission. The stated purpose of Navajo's supplemental filing was to seek approval to reduce Navajo's Carrier Common Line ("CCL") rates in order to remove pay telephone subsidies built into the access rates in compliance with the FCC's "new services" test. Navajo's Supplemental Filing at ¶6. Navajo requested that the CCL rate be reduced from 0.01329 to 0.012732 retroactive to April 15, 1997.

33. With the changes proposed by Navajo in its June 17, 1997 supplemental filing, Navajo has demonstrated that there is no subsidy of its payphones in New Mexico.

34. With the changes proposed by Navajo in its June 17, 1997 supplemental filing, Navajo's tariff is just and reasonable and in compliance with all legal requirements. The Commission hereby approves the reduction in Navajo's proposed CCL rate 0.01329 to 0.012732 and the remainder of Navajo's proposed tariff retroactive to April 15, 1997.

35. Navajo has agreed to meet with Commission Staff regarding the proposed deletions

from the tariffs and to file a compliance tariff as necessary. Tr., Vol. III at 9.

GTE

36. GTE developed a public telephone subsidy study for each state that GTE operates in which analyzed the revenues received from its payphone services and compared the revenues to the expenses needed to support that investment. Tr., Vol. I, at 23.

37. GTE's public telephone subsidy study for New Mexico showed that based on 1995 actuals, payphone revenues exceed their expenses by the amount of $58,991. Tr., Vol. I, at 26.

38. GTE has a total of 388 payphones in New Mexico, of which 67 are semi-public.

39. GTE will transfer all of its investment in its payphones from regulated accounts to its unregulated accounts, in compliance with FCC orders. Tr., Vol. I at 34. All future costs incurred with the operation of these phones will be incurred on a deregulated basis. Tr., Vol. I at 34-35.

40. GTE's application also proposed certain tariff revisions, including the removal of its current coin services from the General Exchange tariff and the substitution of new Coin Line Service and Answer Supervision Service. Answer Supervision Service is an optional central office switch based feature available to owners of "smart" phones. It provides an electrical signal to the calling end of a switched telephone connection to indicate when the called line goes off-hook and is answered. Tr, Vol. I at 23-24. While demand for this service is expected to be minimal, answer supervision service is proposed to comply with the FCC's orders requiring that any basic network service that the regulated company uses to provide payphone services must be similarly available to other providers of payphone services on a nondiscriminatory tariffed basis.

41. The coin line service provides the access line, switch features, the local exchange calling scope and all central office coin control functionality required for a "dumb" phone. Tr.,

Vol. I at 24-25. A "dumb" phone is a type of coin payphone which, unlike a "smart" phone, does not have the capability of performing the coin control functionality at the premises equipment end, but relies instead on the serving central office to perform those functions. Id. In addition to providing the access line and all coin control services, all other standard local line switching services such as answer supervision, dial tone, access to local calling areas, etc., are included in the coin lin service. Id.

42. By letter filed May 19, 1997, in the June 1997 monthly telecommunications docket, 97-216-TC, GTE requested a revision to its general exchange tariff clarifying Line Service is also known as Selective Class of Call Screening Service and to reduce the rate. The purpose of reducing the rate is to ensure that the rate charged meets the "new services" test. GTE also requested that the Commission establish 900 Call Restriction as a Customer Owned Payphone Service Option, Billed Number Screening as a Customer Owned Payphone Service Option, and International Blocking as a Customer Owned Payphone Service Option. The purpose of these changes is to make clear in the tariff that the services provided to payphone providers are unbundled.

43. The Commission, in its final order in docket number 97-216-TC, approved GTE's proposed rate reduction and tariff revisions as reasonable and in compliance with all applicable legal requirements contingent upon approval by the Commission of GTE's proposed tariff in docket number 97-69-TC. Order, docket number 97-216-TC filed August 8, 1997 at ¶ 5.

44. With the changes proposed by GTE in docket number 97-216-TC, GTE has demonstrated that there is no subsidy of its payphones in New Mexico.

45. GTE has performed cost studies with respect to both the answer supervision service

and coin line service, and with the changes proposed and ordered by the Commission in docket number 97-216-TC, these studies show that the rates and charges cover the costs of providing the new services and meet the "new services" test.

46. The part of GTE's tariff that the Commission has not already approved in Commission docket number 97-216-TC is just and reasonable and in compliance with all applicable legal requirements. The Commission hereby approves GTE's proposed tariff, as amended in Commission docket number 97-216-TC, retroactive to April 15, 1997.

US WEST

47. US WEST's proposed introduction of Smart PAL service in this docket complies with the FCC requirement that an incumbent LEC offer individual central office coin transmission services to PSPs in a nondiscriminatory manner.

48. US WEST did not submit a tariff in this docket to remove intrastate subsidies which support payphone costs because US WEST found that there are no subsidies supporting payphone costs. Tr., Vol. I at 40-41, 53-54 and 140.

49. US WEST advocated that the Commission use a revenue/cost or revenue/expense analysis to determine whether there are any intrastate subsidies supporting payphone operations. Tr., Vol. I at 23, 41. Tr., Vol. II at 213. Under the revenue/cost analysis provided to the Commission, US WEST testified that revenues from payphone operations cover payphone costs. Tr., Vol. II at 216.

50. However, even under an imputation test, US WEST testified that its payphone operations are not subsidized by any intrastate revenues. Tr., Vol. II at 214 and 216.

51. In 1992 and 1995, US WEST testified that payphone revenues cover costs. Tr., Vol.

II at 217.

52. Further, US WEST testified that since 1992, payphone costs have declined while payphone revenues and messages have increased. Tr., Vol. II at 217.

53. On August 13, 1997, US WEST filed Notice of US WEST Communications, Inc.'s Submission of FCC Common Carrier Bureau Order and US WEST's Comments ("US WEST Notice"). US WEST acknowledged that the New Services Test Order required all LECs to meet the "new services" test with respect to its payphone services. US WEST Notice at 1. US WEST stated that its payphone related services in New Mexico include Basic and Smart Public Access Lines, Answer Supervision-Line Side and Split Blocking. US WEST Notice at 2. US WEST stated that these payphone related services were reviewed for compliance with the "new services" test, and each was found to meet that test. US WEST Notice at 2.

54. US WEST's tariff is just and reasonable and in compliance with all legal requirements. The Commission hereby approves as just and reasonable and in compliance with all applicable legal requirements US WEST's offering of Smart PAL service under the rates, terms and conditions proposed to its Exchange and Network Service Tariff retroactive to April 15, 1997.

Leaco

55. James E. West, Jr., testified on behalf of Leaco that Leaco has seventeen public, semi-public and PAL payphones in New Mexico, and that its current net investment as of December 31, 1996, in those phones is $2,500 out of the company's total net plant investment of $11,949,366. Tr., Vol. I at 158-159.

56. Mr. West testified that there is no need to change CCL rates because of Leaco's low

total net plant investment in payphones, there is no subsidy contained in the rates and charges to the company, and because the payphone investment will be removed from the company's rate base. Tr., Vol. I at 158-159.

57. Leaco's application requests approval by the Commission of revisions to its New Mexico Local Exchange Tariff to reflect the removal of semi-public, public, and public access line/customer owned coin operated telecommunications services and to reflect the offer of Leaco to independent pay phone providers of the same service which it provides to itself, i.e., a line which would allow independent payphone providers to use a basic pay phone which would derive its functionality from the central office. The type of service which Leaco offers to independent pay phone providers is a public access line, which is a basic line that does not include any special features or functions whereby the independent payphone provider utilizes the basic line in conjunction with a "smart" payphone to provide payphone service, which the same service that Leaco provides for itself.

58. Leaco did not present evidence that its proposed payphone services and tariff comply with the "new services" test as required by the New Services Test Order.

59. Without evidence of whether the Leaco's proposed payphone services and tariff comply with the "new services" test, the Commission is unable to determine whether Leaco's proposed payphone services and tariff are just and reasonable and in the public interest.

Century

60. G. Clay Bailey testified on behalf of Century presented evidence that it owns three semi-public payphones in New Mexico, which are the only payphones effected by this proceeding. Tr., Vol. II at 11.

61. Mr. Bailey testified on behalf of Century that Century determined that its net investment in the three payphones is zero. Id. at 11-12. Mr. Bailey testified that Century will, as required by the FCC after April 15, 1997, book all costs associated with its payphones below the line and thereby treat payphones costs as a deregulated expense. Tr., Vol. II at 18.

62. Century's proposed tariff in this docket amends its New Mexico tariff by eliminating the offering of Semi-Public Telephone Service from its tariff, reclassifying pay telephone service, and introducing two new optional services — Coin Supervision/Transmission and Optional Operator Screening. Century has agreed to work with Commission Staff to ensure that the proposed elimination and reclassification of payphone service comply with the FCC's orders and rules.

63. Coin Supervision/Transmission provides an electrical signal to the operator indicating the denomination of coins deposited, as well as signals indication to the payphone that the calling line has answered the call. Tr., Vol. II at 130. The rates for these services were derived by reviewing the Company's costs associated with these services and reviewing the rates for similar services. Tr., Vol. II at 130-131.

64. Century did not present evidence that its proposed payphone services and tariff comply with the "new services" test as required by the New Services Test Order.

65. Without evidence of whether the Century proposed payphone services and tariff comply with the "new services" test, the Commission is unable to determine whether Century's proposed payphone services and tariff are just and reasonable and in the public interest.

Baca

66. Leslie Christina Pilgrim testified on behalf of Baca that Baca owns seventeen public

or semi-public payphones in New Mexico, and that its net investment in these payphones was zero. Tr., Vol. II at 31; LCP Exhibit 1.

67. Baca, in its application, requested that the Commission adopt revisions to its New Mexico Local Exchange Tariff to reflect the removal of semi-public, public and public access line/customer owned coin operated telephone services and to reflect the new service offering of optional features known as Coin Supervision and Selective Class of Call Screening. Additionally, Baca proposed two line services to accommodate either a "smart" or "dumb" payphone.

68. Baca did not present evidence that its proposed payphone services and tariff comply with the "new services" test as required by the New Services Test Order.

69. Without evidence of whether the Baca proposed payphone services and tariff comply with the "new services" test, the Commission is unable to determine whether Baca's proposed payphone services and tariff are just and reasonable and in the public interest.

La Jicarita

70. Leslie Christina Pilgrim testified on behalf of La Jicarita that La Jicarita has one payphone in New Mexico, and that its current investment in that payphone is $959 and that La Jicarita's total net plant investment is $6,083,154, which makes La Jicarita's net payphone investment 0.00015% of net plant investment. Tr., Vol. II at 72, 73; LCP Exhibit 2.

71. Ms. Pilgrim testified that she did not believe La Jicarita was subsidizing payphone services. Tr., Vol. II at 73.

72. La Jicarita, in its application, requested that the Commission adopt revisions to its New Mexico Local Exchange Tariff to reflect the removal of semi-public, public and public

access line/customer owned coin operated telephone services and to reflect the new service offering of optional features known as Coin Supervision and Selective Class of Call Screening. Additionally, La Jicarita proposed two line services to accommodate either a "smart" or "dumb" payphone.

73. La Jicarita did not present evidence that its proposed payphone services and tariff comply with the "new services" test as required by the New Services Test Order.

74. Without evidence of whether the La Jicarita proposed payphone services and tariff comply with the "new services" test, the Commission is unable to determine whether La Jicarita's proposed payphone services and tariff are just and reasonable and in the public interest.

Roosevelt

75. Leslie Christina Pilgrim testified on behalf of Roosevelt that Roosevelt has thirty-two public and semi-public payphones in New Mexico, that its current investment in those payphones is $5,206, that Roosevelt has a total net plant investment of $5,232,353, which makes the company's net payphone investment 0.00099% of net plant investment. Tr., Vol. II at 88-89; LCP Exhibit 3. Ms. Pilgrim testified that she did not believe Roosevelt was subsidizing payphone services. Tr., Vol. II at 89-90.

76. Roosevelt, in its application, requested that the Commission adopt revisions to its New Mexico Local Exchange Tariff to reflect the removal of semi-public, public and public access line/customer owned coin operated telephone services and to reflect the new service offering of optional features known as Coin Supervision and Selective Class of Call Screening. Additionally, Roosevelt proposed two line services to accommodate either a "smart" or "dumb" payphone.

77. Roosevelt did not present evidence that its proposed payphone services and tariff comply with the "new services" test as required by the New Services Test Order.

78. Without evidence of whether the Roosevelt proposed payphone services and tariff comply with the "new services" test, the Commission is unable to determine whether Roosevelt's proposed payphone services and tariff are just and reasonable and in the public interest.

Tularosa

79. Leslie Christina Pilgrim testified on behalf of Tularosa that Tularosa has 90 public, semi-public and PAL payphones in New Mexico, and that its current investment in those phones is $1,071, that Tularosa's total net plant investment of $9,496,605, which makes the company's net payphone investment 0.00011% of plant investment. Tr., Vol. II at 104, 105; LCP Exhibit 4. Ms. Pilgrim testified that based upon her analysis of the plant investment information, and the comparison of the Tularosa's total net plant to net payphone, no adjustment is necessary to the CCL rate and that the impact to the intrastate rate would be de minimus and that there is no subsidy of Tularosa's payphone services. Tr., Vol. II at 105.

80. Tularosa, in its application, requested that the Commission adopt revisions to its New Mexico Local Exchange Tariff to reflect the removal of semi-public, public and public access line/customer owned coin operated telephone services and to reflect the new service offering of optional features known as Coin Supervision and Selective Class of Call Screening. Additionally, Tularosa proposed two line services to accommodate either a "smart" or "dumb" payphone.

81. Tularosa did not present evidence that its proposed payphone services and tariff

comply with the "new services" test as required by the New Services Test Order.

82. Without evidence of whether the Tularosa proposed payphone services and tariff comply with the "new services" test, the Commission is unable to determine whether Tularosa's proposed payphone services and tariff are just and reasonable and in the public interest.

Penasco

83. Mr. Carl Wilson testified on behalf of Penasco that Penasco has 10 semi-public payphones in New Mexico. Tr., Vol. II at 118. Mr. Wilson testified that Penasco, in its application, looked at the intrastate access rate and determined that the net investment in payphones was zero, and therefore, there was no subsidy involved in the intrastate access rate and no change was necessary. Id.

84. As no formal application filed on behalf of Penasco appears in the Chief Clerk's file, the Commission is unable to determine on the basis of the direct testimony of Robert Crumrine only, whether Penasco's payphone services are non-discriminatory and unbundled as required by the Act and the FCC's orders in FCC docket number 96-128.

85. Penasco did not present evidence that its proposed payphone services and tariff comply with the "new services" test as required by the New Services Test Order.

86. Without evidence of whether the Penasco proposed payphone services and tariff comply with the "new services" test, and also without an application and tariff from Penasco to determine whether Penasco's payphone services are non-discriminatory and unbundled as required by the Act and the FCC's orders in FCC docket number 96-128, the Commission is unable to determine whether Penasco's proposed payphone services and tariff are just and reasonable and in the public interest.

Dell

87. Mr. David C. Lewis testified on behalf of Dell that Dell's service area is 3500 square miles in southern New Mexico, Tr., Vol. II at 141 and that Dell has only 330 subscribers in New Mexico and has only a total of five public telephones divided between two small New Mexico towns. Tr., Vol. II at 142.

88. Mr. Lewis testified that Dell's current investment in those payphones is $808, and that comparing the gross cost of Dell's payphones to the total gross plant investment produces a gross payphone investment of 0.000919% of total gross plant investment. Tr., Vol. II at 143, 144.

89. Mr. Lewis testified that no change was necessary in Dell's CCL access rate given the small size of payphone investment and the ratio of total gross plant investment to gross telephone investment. Tr., Vol. II at 144-145.

90. Mr. Lewis testified that there is negligible payphone activity and negligible cost associated with the operation and maintenance of Dell's payphones. Tr., Vol. II at 145-146.

91. Mr. Lewis testified that he is not aware of Dell subsidizing its payphones but that if there is one, he "is positive that it is very, very small." Tr., Vol. II at 146.

92. Mr. Lewis testified that even if a cost study would somehow reveal a subsidy, its amount would be so negligible that it would not change the four digit CCL rate. Tr., Vol. II at 147.

93. Dell did not present evidence that its proposed payphone services and tariff comply with the "new services" test as required by the New Services Test Order.

94. Without evidence of whether the Dell proposed payphone services and tariff comply

with the "new services" test, the Commission is unable to determine whether Dell's proposed payphone services and tariff are just and reasonable and in the public interest.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties and the subject matter in this docket.

2. Navajo, GTE, US WEST, Leaco, Century, Baca, La Jicarita, Roosevelt, Tularosa, Penasco, and Dell are certificated providers of "public telecommunications service," as that term is defined in NMSA 1978, § 63-9A-3 (Repl. Pamp. 1989).

3. Notice of the hearing in this docket was proper and legally sufficient.

4. The tariffs proposed by Navajo and GTE, as amended, and the tariff proposed by US WEST are just and reasonable, consistent with applicable law and in the public interest.

5. The tariffs proposed by Navajo and GTE, as amended, and the tariff proposed by US WEST, are effective as of April 15, 1997, as required by the Payphone Order.

6. The evidence presented by Leaco, Century, Baca, La Jicarita, Roosevelt, Tularosa, Penasco, and Dell is insufficient for the Commission to make a determination based on the evidence presented whether the proposed payphone services and tariffs by these LECs meet the "new services" test.

7. As Penasco did not file an application or tariff in this docket, the Commission is unable to determine on the basis of the direct testimony of Robert Crumrine only, whether Penasco's payphone services are non-discriminatory and unbundled as required by the Act and the FCC's orders in FCC docket number 96-128.

8. The Commission's resolution of the issues herein is just and reasonable, consistent with applicable law and in the public interest.

9. Navajo, GTE and US WEST have fully complied with the parts of the Act and orders in FCC docket number 96-128 requiring the appropriate state regulatory body to make certain factual and legal determinations more fully described in the findings of fact.

ORDER

IT IS THEREFORE ORDERED that the Commission hereby adopts and incorporates as its Order the resolution of the issues contained in the foregoing findings of fact and conclusions of law.

IT IS FURTHER ORDERED that within ten days of receipt of this order, Navajo, GTE and US WEST shall file an original and five copies of the tariffs approved in this order subject to Commission Staff review for compliance with this order.

IT IS FURTHER ORDERED that within ten days of receipt of this order, Leaco, Century, Baca, La Jicarita, Roosevelt, Tularosa, and Dell shall each file in this docket a notice detailing whether the payphone services and tariffs proposed by each complies with the "new services" test.

IT IS FURTHER ORDERED that Penasco shall file a formal application and proposed tariff for inclusion in September monthly telecommunications meeting of the Commission and that the application and tariff should contain sufficient information to allow the Commission to determine whether Penasco's proposed payphone services and tariff complies with the Act and orders in FCC docket number 96-128, including whether Penasco's payphone services are non-discriminatory and unbundled and meet the "new services" test.

DONE, this 21 day of August, 1997.

NEW MEXICO STATE CORPORATION COMMISSION

ERIC P. SERNA, Chairman

JEROME D. BLOCK, Commissioner

GLORIA TRISTANI, Commissioner

ATTEST:

ORLANDO L. ROMERO, Chief Clerk

EXHIBIT F

Decision No. C99-765

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

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DOCKET NO. 98F-146T

COLORADO PAYPHONE ASSOCIATION, A COLORADO NON-PROFIT CORPORATION,

Complainant,

v.

U S WEST COMMUNICATIONS, INC.,

Respondent.

DECISION DENYING APPLICATIONS FOR REHEARING, REARGUMENT, OR RECONSIDERATION, AND GRANTING REQUESTS FOR CLARIFICATION AND EXTENSION OF TIME

Mailed Date: July 16, 1999
Adopted Date: July 14, 1999

I. <u>BY THE COMMISSION:</u>

A. Statement

This matter comes before the Commission for consideration of the Applications for Rehearing, Reargument, or Reconsideration ("RRR") filed by the Colorado Payphone Association ("CPA") and U S WEST Communications, Inc. ("USWC"). The applications request reconsideration of rulings made in Decision No. C99-497 where we found that USWC's existing rates for Public Access Line ("PAL") service and Outgoing Fraud Protection are excessive and should be reduced.[1] Now being duly advised in the premises, we will deny the applications for RRR. USWC's request for clarification of the Decision (discussion, *infra*) will be granted; the request for an extension of time to comply with certain provisions of the Decision will be granted in part only.

B. Application for RRR by CPA

1. CPA contends that the Decision should be modified to require refunds of excessive charges paid by PAL customers retroactive to April 15, 1997 the date by which USWC was required to implement new PAL rates under directives issued by the Federal Communications Commission ("FCC"). CPA argues that USWC's rates became unlawful on the date it failed to comply with FCC rules. Therefore, refunds and reparations for unlawful charges are required retroactive to the date the rates became unlawful, April 15, 1997. We disagree.

2. As noted in the Decision, paragraph 14 (page 9), the challenged rates were previously approved by the Commission. We further observe, as CPA concedes, that USWC refile its PAL rates with the Commission in accordance with the FCC's rules.[2] The refiled rates were the same as the then existing ones. Because USWC has been charging rates specifically approved by us,

[1] The specific reductions to Outgoing Fraud Protection service are to be implemented in the future, after USWC submits a new cost study. *See* Decision No. C99-497, paragraph 13 (page 10).

[2] As noted in Exhibit 75, Advice Letter No. 2649 was this filing.

we will not require refunds in this case either pursuant to our own authority under state law or even when acting under the FCC assigned review function because of the questions raised in this docket regarding the appropriate cost-to-price ratios under the FCC guidelines.

3. The critical, but mistaken, premise of CPA's argument for refunds is that the Decision held that USWC's PAL rates violated 47 U.S.C. § 276 and attendant regulations. However, we did not make such a finding in Decision No. C99-497. Nothing in the Decision indicates a determination that USWC violated any federal mandate. We simply concluded that it is appropriate to decrease PAL rates in light of the pro-competitive purposes of § 276 and our determination that the present cost-to-price ratios for basic PAL service were excessive. In doing so, we noted in Decision No. C99-497 the wide latitude in the cost-to-price ratios previously employed by the FCC. As such, we do not find our decision imposes requirements on payphone service pricing that are inconsistent with the FCC guidelines.[3] For these reasons, we deny the application for RRR on this point.

[3] We also note that Decision No. C99-497 directs USWC to submit further timely intrastate filings as the FCC issues further specific directives regarding payphone service

4. CPA next contends that we should set PAL rates according to the business basic exchange rate (*e.g.*, 1FB), not the two-way business trunks. We reject this suggestion. The decision to set PAL rates at the two-way trunk rate--these rates also qualify as "business basic exchange service"--reflects our general determination that PAL rates should be reduced. While CPA alleges that trunks frequently require additional equipment over that of a basic PAL or the 1FB service (*i.e.*, PBXs or Direct-Inward-Dialing) it did not substantiate that the basic trunk rate includes costs for such equipment. Notably, PAL customers also utilize their access lines in a manner substantially different than the typical 1FB end-users (*i.e.*, by selling use of the line to payphone end-users). In this instance, we have decided to implement our conclusion in Decision No. C91-1128 that basic flat rated PAL service should be priced similarly to the basic flat rated business trunk service. We affirm our conclusion that PAL service should be priced as two-way trunks.

5. Finally, CPA apparently argues that PAL rates should not include the $9 end-user common line ("EUCL") charge. We disagree. The EUCL is a federally mandated charge that, as stated by CPA in its applications for RRR, provides a contribution to USWC non-traffic sensitive costs. Until the FCC provides further specific guidance on this issue, it is fair and

equitable that PAL subscribers, like other telephone customers, contribute to the recovery of the cost of the telephone network through such charges. In essence, the CPA argument on this issue is another version of the argument that the cost-to-price ratio is inappropriately set under the FCC guidelines. In this instance, we have determined that the cost-to-price ratios yielded by the modified PAL rates are just and reasonable, even with inclusion of the EUCL. Therefore, this argument is rejected.

C. Application for RRR by USWC

1. USWC objects to our findings that Outgoing Fraud Protection service is a payphone service and the rate for the service is excessive. For the reasons stated in the Decision, paragraph 12 (pages 7-8), we reject the suggestion that Outgoing Fraud Protection is not a payphone service subject to pricing considerations under the pro-competitive purposes of § 276. USWC's observation that the FCC does not require the tariffing of Outgoing Fraud Protection at the federal level is unpersuasive.[4] Outgoing Fraud Protection is an offering sold by USWC to PAL subscribers pursuant to its State PAL tariff, and, as such, is

[4] Here we note that USWC proposed this feature to the FCC under the marketing name of CustomNet, which is not even regulated by this Commission and is not available under the Colorado payphone tariffs.

subject to the same pricing considerations by this Commission as other payphone service offerings.[5]

2. We also affirm our finding that the rate for Outgoing Fraud Protection is excessive. In particular, the information presented in this record indicates that the price-to-cost ratio for Outgoing Fraud Protection is exorbitant.[6]

3. The application for RRR also requests an extension of time of 60 days to file new proposed rates and a cost study for Outgoing Fraud Protection service (Ordering paragraph 4 of the Decision). Such a lengthy extension of time is inappropriate inasmuch as USWC has already had almost 60 days to comply with this directive. Instead, we will grant an additional 30 days (to August 18, 1999) for USWC to comply with this requirement.

4. USWC finally requests clarification as to whether the rate reduction order for "PAL service" in the Decision is applicable to measure-rated and message-rated service, as well as flat-rated service. We now clarify that the order for rate decreases was intended to apply to measured, message, and flat-

[5] Even accepting USWC's argument, there is nothing in the FCC guidelines that prevents review of this particular service under the Costing and Pricing Rules of this Commission.

[6] USWC suggests that, if Outgoing Fraud Protection is repriced, PAL subscribers should be required to pay for other presently "free" screening services. However, this suggestion must be made in an appropriate filing with the Commission.

rated PAL service in that all are to be tied to the appropriate business trunk rate.

II. ORDER

A. **The Commission Orders That:**

1. The Application for Rehearing, Reargument, or Reconsideration filed by the Colorado Payphone Association on June 16, 1999 is denied.

2. The Application for Rehearing, Reargument, or Reconsideration by U S WEST Communications, Inc., on June 16, 1999 is denied. The request for clarification contained in the application is granted consistent with the above discussion. The request for extension of time contained in the application within which to comply with Ordering Paragraph 4 of Decision No. C99-497 is granted only to August 18, 1999.

3. This Order is effective upon its Mailed Date.

B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING July 14, 1999.

(SEAL)

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ROBERT J. HIX

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VINCENT MAJKOWSKI

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RAYMOND L. GIFFORD

____

Commissioners

ATTEST: A TRUE COPY

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Bruce N. Smith
Director

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