

EXHIBIT A

GLEND A WEIBEL
Issues Manager - Public Policy
1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: CONFERENCE CALL 10/24, 1:00 PDT

DATE: OCTOBER 21, 1996

TO: DEBI ADAMS LINDA BRICE
 BOB COUTURE RON LEE
 BRAD OLSON SUE PAWLIK
 SARA VAN HORNE MARY WYBENGA

FROM: GLEND A WEIBEL *Glenda*

Per my voice mail messages, the meeting to discuss some of the implementation activities associated with the FCC's payphone Order has been scheduled for:

DATE: Thursday, 10/24, at 1:00 PDT
DIAL-IN NUMBER: 303-633-2037; Seattle people will meet in 3201 conference room.

In addition to discussing areas of responsibility, we will also review the attached timeline. Please call me if you have any questions.

cc: John Kure, Dan Lanksbury

PAYPHONE RULE EFFECTIVE DATES
CC 96-128

	DATE	ISSUE	RESPONSIBLE
1	2/8/96	LEC contracts in effect and in force prior to, and as of, this date are grandfathered (250)	Hanses
2	10/21/96	Petitions for Reconsideration (PFR) filed (379)	Tomlinson/Weibel
3	10/28/96	PFR Comments due (379)	Tomlinson/Weibel
4	11/6/96	Interim rate of \$45.85 paid to independent PSPs by carriers listed in Appendix F (119)	Lanksbury
5	11/6/96	FCC Rules 64.1301 and 64.1340, payphone compensation and right to negotiate, effective (365)	Weibel
6	12/1/96	LECs must provide a discrete code to identify payphones (98)	Olson/E.McGuane/ Pawlik
7	12/16/96	FCC Rules 64.1330 and 64.703, state review of payphone rules, public interest payphones, and right to negotiate, effective (365)	Weibel
8	1/6/97	BOCs file CEI plans (372)	Olson/Wybenga/ Stafford
9	1/15/97	LEC network disclosure of coin line (146)	Olson/Guy
10	1/15/97	LEC coin line tariffed as new service under FCC price cap rules (146)	Olson/Pawlik
11	1/15/97	LECs file revised CCL tariffs to be effective 4/15/97 (183)	Pearson/Pawlik
12	2/14/97	CAMs filed to be effective 4/15/97 (163)	Schwartz/Sharkey
13	?4/97	CEI plans approved (nondiscrimination reporting)	Olson/Wybenga/ Stafford
14	?4/97	LECs can negotiate for interLATA carrier after CEI plan approved? (239)	Wong/Tomlinson

	DATE	ISSUE	RESPONSIBLE
15	4/15/97	Utah intrastate set use fee removed (? state file date)	Pearson/Couture
16	4/15/97	New payphones Part 68 registered (by manufacturer) (150)	Eddy/Manville
17	4/15/97	Existing LEC payphones are grandfathered from Part 68 registration (151)	Eddy
18	4/15/97	LEC reclassification completed (172)	Lanksbury
19	4/15/97	CAMs effective (163)	Schwartz/Sharkey
20	4/15/97	LEC revised CCL tariffs effective (183)	Pearson/Pawlik
21	4/15/97	LEC coin line tariffed with FCC effective (146)	Olson/Pawlik
22	4/15/97	LEC intrastate rates must remove payphone costs (USW file dates?) (186)	Lanksbury/Couture/ Anderl
23	4/15/97	FCC Rules 68.2 and 68.3, connection of the network coin line, effective (367)	Weibel
24	4/16/97	LEC PSPs eligible to receive interim compensation of \$45.85 (125)	Pearson
25	7/14/97	LECs file interconnection requirements for coin line (90 days after 4/15/97 effective date Part 68) (150, 367)	Olson/Weibel
26	10/7/97	Interim compensation payment of \$45.85 ends. (119)	Pearson
27	10/7/97	LEC PSPs receive per call compensation (51)	Pearson
28	10/7/97	Per call compensation default rate is \$.35 (51)	Pearson/MM/ Peppler
29	10/7/97	USWC pays per call compensation (51)	Mass Mkts/Peppler

	DATE	ISSUE	RESPONSIBLE
30	10/7/97	Per call tracking in place (51,99)	Pearson/ MM/Peppler
31	10/7/97	Local rate market based start date (51)	Hanses/Couture/ Anderl
32	10/7/97	FCC can review local coin rates for locational monopolies (51)	Couture/Tomlinson
33	10/7/97	Carriers must send a statement direct to each PSP indicating the number of toll-free and access code calls from a payphone. (110)	MM/Peppler/ K.Wong/Pearson
34	10/7/97	LECs must submit to each carrier-payor, each quarter, a list of ANIs of all payphones in the LEC's service area (112)	Olson
35	10/7/97	LECs must indicate on phone line bill that a service is for payphone (116)	Olson
36	10/7/97	FCC Rules 64.1300, 64.1310 and 64.1320, payphone compensation, effective (366)	Weibel
37	9/20/98	State must have adequately provided for public interest payphones (285)	Couture/Hanses/ Anderl
38	10/7/98	Per call compensation default rate equals local coin rate start date (71-72)	K.Wong/Pearson/ Couture/Peppler/MM
39	3/31/99	Carriers file one-year verification of tracking functions for 1998 (101,111)	MM/Peppler/ K.Wong/Pearson

EXHIBIT B

GLEND A WEIBEL
Issues Manager - Public Policy
1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: NEXT MEETING 4/8, 1:00 PST

DATE: APRIL 1, 1997

TO: LISA ANDERL MICHAEL BLANCARTE BOB COUTURE
 MIKE CRUMLING JOAN DIENST KAREN GRIFFITH
 MERLIN JENSON DAN LANKSBURY LARRI MENEAR
 HARRY MERTZ BRAD OLSON BRENT PEARSON
 TINA PYLE JERRY SHARKEY SONDR A TOMLINSON
 ROGER WEISS KAREN WONG MARY WYBENGA

FROM: GLEND A WEIBEL *Glenda*

Attached is the revised FCC payphone rules implementation timeline, the updated Payphone Compensation Checklist, and a brief summary of several *ex partes* that have recently been filed with the FCC in this docket.

These documents will be discussed at the next meeting of the Core Team. That meeting will be held on:

Date: Tuesday, 4/8, at 1:00 Seattle time

Dial-in Number: 303-633-4584 (Seattle people will meet in conference room 3106.)

Please mark your calendars for the next Core Team meetings; they are scheduled as follows:

April 14, 1:00 Seattle time, Dial-in Number 303-633-4584

April 21, 1:00 Seattle time, Dial-in Number 303-633-4584

Please call me if you have any questions, or if you would like a complete copy of any of the *ex partes*.

cc: John Kure, David Anastasi, Dan Poole, Steve Dennis, Sarah Lopez, Claudette Dias, Ed McGuane, Sara Givens, Kelly Champagne, Robin Terry, Matt Scheuing, Mike Lynch, Jan Eddy, Tim Fyke, Mary Conway, Dave Manville, Sue Pawlik, Marti Groh, Ellen Kirk, Mike Whaley, Mark Hanses, Lori Simpson

PAYPHONE COMPENSATION CHECKLIST

		<i>Responsible</i>	<i>File Date</i>	<i>Proposed Effective Date</i>
1	Effective cost accounting manual (CAM) filing	Sharkey/Conway/ Crumling	9/96	9/96
2	Effective interstate CCL tariff reflecting a reduction for deregulated payphone costs and reflecting additional multiline subscriber line charge (SLC) revenue.	Pearson/Wong/ Pawlik	1/15/97	4/15/97
3	Effective intrastate tariffs reflecting the removal of charges that recover the costs of payphones and any intrastate subsidies.	Couture/Reese/ Anderl	WA ? OR ? SD ?	
4	Deregulated and reclassified or transferred the value of payphone customer premises equipment (CPE) and related costs as required in the Report & Order	Lanksbury/Eddy	Begin 4/1/97	To be completed 4/15/97
5	Effective intrastate tariffs for basic payphone services (for "dumb" and "smart" payphones").	Olson/Couture	see attached	4/15/97
6	Effective intrastate and interstate tariffs for unbundled functionalities associated with those lines.	Olson/Couture/ Pawlik	?ASLS	
7	CEI plans approved for basic payphone services and unbundled functionalities prior to receiving compensation.	Olson/Wybenga/ Stafford	1/6/97	4/15/97

PAYPHONE COMPENSATION CHECKLIST
STATE CHECKLIST

		<i>Jurisdiction</i>	<i>File Date</i>	<i>Status/Approved</i>	<i>Proposed Effective Date</i>
5	Effective intrastate and interstate tariffs for unbundled functionalities associated with those lines. (Olson/Couture)	Arizona	1/15/97	Docket E-1051-97-024 Open Mtg. 4/15	4/15/97
		Colorado	1/15/97	Approved 2/12/97	4/15/97
		Idaho - North	1/15/97	No intervention, expect to go into effect.	4/15/97
		Idaho - South	1/15/97	No intervention, expect to go into effect.	4/15/97
		Iowa	1/15/97	Approved 2/6/97	4/15/97
		Malhuer	1/15/97	Open Mtg. 4/1, should go into effect.	4/15/97
		Minnesota	1/15/97	Docket P421/EM97-93	4/15/97
		Montana	1/13/97	Approved 3/21/97	4/15/97
		Nebraska	1/15/97	State deregulated, should be approved.	4/15/97
		New Mexico	1/15/97	Docket 97-69-TC, hearings held 3/24-25.	4/15/97
		North Dakota	1/15/97	State deregulated, should be approved.	4/15/97
		Oregon	1/15/97	Open Mtg. 4/1, should go into effect.	4/15/97
		South Dakota	1/15/97	Docket TC97-006	4/15/97
		Utah	1/15/97	No intervention, expect to go into effect.	4/15/97
		Washington	1/15/97	Approved 3/12/97	4/15/97
Wyoming	1/13/97	No intervention, expect to go into effect.	4/15/97		

PAYPHONE RULE EFFECTIVE DATES
CC 96-128

	DATE	ISSUE	RESPONSIBLE
1	2/8/96	LEC contracts in effect and in force prior to, and as of, this date are grandfathered (250)	Hanses
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4	11/6/96	Interim rate of \$45.85 paid to independent PSPs by carriers listed in Appendix F (119)	Lanksbury/Pearson
5	11/6/96	FCC Rules 64.1301 and 64.1340, payphone compensation and right to negotiate, effective (365)	Weibel
6	12/16/96	FCC Rules 64.1330 and 64.703, state review of payphone rules, public interest payphones, and right to negotiate, effective (365)	Weibel
7	1/6/97	BOCs file CEI plans (372) - USW filed Errata 1/8/97	Olson/Wybenga/ Stafford
8	1/13/97	Reconsideration Order - Petitions for Reconsideration due	Tomlinson/Weibel
9	1/15/97	LEC network disclosure of coin line (146) - completed 1/6/97	Olson/Guy
10	1/15/97	LEC coin line tariffed in state tariffs (146) (Recon. 163) - MT filed 1/13/97	Olson/Couture
11	1/15/97	Revised CCL tariffs filed with FCC to be effective 4/15/97 (183) - USW filed Trans. #823 (including unbundled features)	Pearson/Wong/ Pawlik
12	2/8/97	Part 68 interface reviewed with FCC (150)	Stafford/ E.McGuane
13	2/7/97	Oppositions to USW CEI plans filed with FCC	Olson/Wybenga/ Stafford
14	2/14/97	CAMs filed to be effective 4/15/97 (163)	Sharkey/Conway
15	2/24/97	USW Replies to Oppositions to USW CEI plans - filed with FCC	Olson/Wybenga/ Stafford
16	?3/21/97	Checkllst ex partes	Stafford/Crumling/ Nugent
17	4/15/97	Utah intrastate set use fee removed (3/14/97 file date)	Pearson/Couture
18	4/15/97	New payphones Part 68 registered (by manufacturer) (150) and existing payphones grandfathered (151)	Hanses/Marville
19	4/15/97	DA subsidies terminated (62)	Wong/ C.McGuane
20	4/15/97	LEC reclassification completed (172)	Lanksbury/Eddy
21	4/15/97	CAMs effective (163)	Sharkey/Conway
22	4/15/97	LEC revised FCC tariffs effective (146,183) - USW Trans. #823	Olson/Pearson/ Pawlik

	DATE	ISSUE	RESPONSIBLE
23	4/15/97	LEC intrastate rates must remove payphone costs (1/15/97 file date) (186)	Lanksbury/Couture/Anderl
24	4/15/97	FCC Rules 68.2 and 68.3, connection of the network coin line, effective (367)	Weibel
25	4/16/97	LEC PSPs eligible to receive interim compensation of \$45.85 (125)	Pearson
26	Apr-97	CEI plans approved (nondiscrimination reporting)	Olson/Wybenga/Stafford
27	Apr-97	LECs can negotiate for interLATA carrier after CEI plan approved (239)	Menear/Tomlinson
28	10/6/97	Interim compensation payment of \$45.85 ends. (119)	Pearson
29	10/7/97	LECs must provide a discrete code to identify payphones (98) (Recon. 64)	Olson/Callan/Pawlik
30	10/7/97	LEC PSPs receive per call compensation (51)	Pearson
31	10/7/97	Per call compensation default rate is \$.35 (51)	Pearson/Weiss/Terry
32	10/7/97	USWC pays per call compensation (51)	Groh/Terry
33	10/7/97	Per call tracking in place (51,99)	Pearson/Weiss/Terry
34	10/7/97	Local rate market based start date (51)	Hanses/Couture/Anderl
35	10/7/97	FCC can review local coin rates for locational monopolies (51)	Couture/Tomlinson
36	10/7/97	Carriers must send a statement direct to each PSP indicating the number of toll-free and access code calls from a payphone. (110)	Weiss/Terry/Menear/Pearson
37	10/7/97	LECs must submit to each carrier-payor, each quarter, a list of ANIs of all payphones in the LEC's service area (112)	Olson
38	10/7/97	LECs provide carrier-payors a list of emergency numbers that are exempt from compensation. (Recon. 65)	Blancarte
39	10/7/97	LECs must indicate on phone line bill that a service is for payphone (116)	Olson
40	10/7/97	FCC Rules 64.1300, 64.1310 and 64.1320, payphone compensation, effective (366)	Weibel
41	9/20/98	State must have adequately provided for public interest payphones and state regulation review (285)	Couture/Hanses/Anderl
42	10/7/98	Per call compensation default rate equals local coin rate start date (71-72) (Coinless payphones - default remains at \$.35)	Menear/Weiss/Couture/Terry
43	3/31/99	Carriers file one-year verification of tracking functions for 1998 (101,111)	Weiss/Terry/Menear/Pearson

PAYPHONE EX PARTE SUMMARY (96-128)

DATE	COMPANY	SUMMARY
3/5/97	People's Telephone Company	Met with Craig Brown, Michelle Carey, Christopher Heimann, Radhika Karmarkar, Brent Olson, Michael Pryor and Ann Stevens
3/7/97	BellSouth	Met with Radhika Karmarkar, Christopher Heimann and Michael Pryor
3/7/97	MCI	Met with Mary Beth Richards and Tom Boasberg
3/10/97	Arizona Payphone, Colorado Payphone, Minnesota Independent Payphone, & Northwest Payphone	Ex parte comments in response to U S WEST's reply to the comments of other parties on the CEI plan.
3/10/97	MCI	Met with James Colthorp
3/11/97	MCI	Met with Ann Stevens, Christopher Heimann, Michelle Carey, Radhika Karmarkar, Craig Brown, Carol Matthey and Blaise Scinto.
3/11/97	SBC	Met with Ann Stevens, Michelle Carey, and Michael Pryor
3/12/97	NYNEX	Phone conversation with Craig Brown
3/13/97	Bell Atlantic	Met with Brent Olson and Craig Brown
3/14/97	Ameritech	Met with Richard Welch, Carol Matthey, Rose Crellin, Michael Pryor, Michael Carowitz, Craig Brown and Chris Heimann
3/14/97	RBOC Payphone Coalition	Met with FCC personnel from the Policy, Enforcement, Competitive Pricing and Accounting and Audits Division
3/14/97	MCI	Met with Regina Keeney, Mary Beth Richards, John Muleta and Michael Carowitz
3/14/97	NYNEX	Met with Craig Brown and Chris Heimann
3/17/97	SNET	Response to four tariff questions
3/19/97	NECA	Response to four tariff questions from the Tariff & Price Analysis Branch
3/19/97	RBOC Payphone Coalition	Letter outlining federal tariffing requirements under the payphone orders.
3/19/97	NYNEX	Response to four tariff questions from the Competitive Pricing Division
3/19/97	NYNEX	Ex parte to explain that CEI Plan complies with the FCC's jurisdictional tariffing requirements
3/19/97	SBC	Response to four tariff questions received from the Competitive Pricing Division
3/19/97	SBC	Ex parte on status of compliance with payphone orders
3/20/97	Pacific Telesis	Response to four tariff questions
3/21/97	U S WEST	Met with Michael Pryor, Radhika Karmarkar and Michelle Carey. Response to CEI questions raised by FCC staff.

EXHIBIT C

GLEND A WEIBEL
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Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: FOR YOUR REVIEW

DATE: APRIL 7, 1997

TO: LISA ANDERL BOB COUTURE MIKE CRUMLING
 GLEN GABRIELSON KAREN GRIFFITH MERLIN JENSON
 DAN LANKSBURY LARRI MENEAR HARRY MERTZ
 BB NUGENT BRAD OLSON BRENT PEARSON
 DAN POOLE JERRY SHARKEY SONDR A TOMLINSON
 BARBARA WILCOX KAREN WONG MARY WYBENGA

FROM: GLEND A WEIBEL *Glenda*

Attached is information that will be reviewed on the next call to discuss the FCC's April 4, 1997 Payphone Order. The next meeting has been scheduled for:

DATE: Tuesday, April 8 at 8:00 Seattle time

Dial-in number: 303-633-4584. (Seattle people can meet in room 3106.)

Please call me if you have any questions about this proceeding.

cc: John Kure, David Anastasi, Wendy Moser

PAYPHONE NEW SERVICES TEST

FCC Rules 61.49(g)(2): Each tariff filing submitted by a local exchange carrier ...that introduces a new service or a restructure unbundled basic service element (BSE) ...must be accompanied by cost data sufficient to establish that the new service or unbundled BSE will not recover more than a reasonable portion of the carrier's overhead costs.

ONA Rules - CC Docket 89-79, paras. 38-44 (See attached)

Questions:

- 1) Does the FCC require the new services test to be applied to the Smart PAL, Basic PAL, and unbundled features (ASLS, CUSTOMNET, BNS)?
- 2) Is the cost support filed with the states equivalent to the federal new services test?
- 3) Do all the states require "cost based" filings?
- 4) When were the PAL lines and features tariffed in each state?
- 5) The APCC has been contacting state regulators and informing them that the FCC's 4/4 Order requires the retariffing of the Basic and Smart PAL. How would the new services test impact those services? Would rates have to be revised?
- 6) Would the states oppose the FCC's new service test requirement?
- 7) Would the states sign a letter that says that USW's rates meet the FCC's new service test, if we can provide that information? Could this be done before 4/15?
- 8) How long would it take to retariff the PAL lines and the features in the states?
- 9) If retariffing is required, would there be a revenue impact? If so, what is it?

04/07/97

37. In its petition for reconsideration of the LEC Price Cap Order, MCI argues that the price cap rules that existed prior to the adoption of the interim services test fail to address the potential for unreasonably high pricing of "new" services. MCI then requests that the Commission limit "new" service rates so that LECs do not earn more than the authorized rate of return applicable for rate-of-return carriers on each new service.⁷⁴ MCI says BOCs could reprice "new" versions of existing capped services to evade the cap. LECs respond that LEC pricing would be constrained by the ability of customers to select the existing version of the service at the capped price.⁷⁵ LECs also argue that quarterly reporting and other requirements placed on new filings serve to ensure the reasonableness of new service prices.⁷⁶ MCI replies that a LEC could diminish the substitutability of the existing version of the service by reducing the quality of that service while enhancing the technological capabilities of the new service.⁷⁷ A number of LECs also complained that an upper bound on new service prices would inhibit innovation.⁷⁸ NYNEX states that it would not object to a cap on new services, if the cap permitted LECs to secure a reasonable return on total investment and recognized the higher risk associated with revenue producing investments.⁷⁹

38. Decision. Commenters identify a number of competing interests in selecting a pricing standard. Certainly, we want LECs to have the flexibility to price efficiently and the incentive to innovate. However, we also want to prevent LECs from setting excessively high rates and to protect against unreasonably discriminatory pricing. As discussed below, the option that appears to meet these goals best is a flexible cost-based approach to pricing new services.

40-42; MCI Reply at 3-5; Virginia Comments at 5, expressing concern that, due to the unpredictable nature of future services, this policy would shift the burden of proof away from carriers.

⁷⁴ MCI Recon. Petition at 36-38; MCI Recon. Reply at 47-48.

⁷⁵ USTA Opposition at 22; BellSouth Opposition at 19; Pactel Opposition at 19.

⁷⁶ Ameritech ex parte filing, May 13, 1991; BellSouth Opposition at 19; BellSouth ex parte filing, May 15, 1991; NYNEX Opposition at 14; SW Bell Opposition at 12-13; SW Bell ex parte filing, May 6, 1991; USTA Opposition at 22.

⁷⁷ MCI Recon. Reply at 44-45.

⁷⁸ Bell Atlantic ex parte filing, Jun. 5, 1991; SW Bell ex parte filing, May 14, 1991; USTA ex parte May 31, 1991.

⁷⁹ NYNEX ex parte filing, May 24, 1991. See also GTE ex parte filing, Jun. 4, 1991.

39. Although the price cap system has rules designed to ensure that the adjustments of existing prices will be reasonable, prior to the adoption of the interim new services test, it did not provide any specific tariff review showing to ensure that initial prices for "new" services were not unreasonably high. A net revenue test provides assurance that the initial price will not be set at a predatory level, but does not ensure that the initial rate will not be excessive. While no ceiling would be required in a competitive market, in a market where a single firm has monopoly control, a price set initially at an excessive level may remain free from significant competitive pressures indefinitely. Providing LECs with maximum flexibility by requiring only a net revenue showing would rely on the sharing mechanism of price caps to control excessive rates. We reject that approach as inadequate, for while sharing may diminish the impact of excessive prices, it was not designed nor does it serve to eliminate the incentive for, or impact of, sustained monopoly pricing of an individual new offering.

40. Given the need for some form of price constraints, we next tried to identify a "non-cost-based" constraint. Commenters almost unanimously oppose the strategic pricing guidelines option in the Notice, and the record does not reveal any other adequate non-cost-based constraints. We conclude, therefore, that our new services test must be cost-based. The question, then, focuses on whether to require fully distributed cost support or a more flexible approach.

41. Because we believe that the public interest will be served by providing LECs with an adequate incentive to innovate, we conclude that a flexible cost-based approach is the best way of controlling both excessive pricing and discrimination. As NYNEX recognizes, a cost-based upper bound can preserve carriers' incentives to innovate, if it permits them to earn a return on their total new investment commensurate with the risk they assume.

42. Under our approach, a LEC introducing new services will be required to submit its engineering studies, time and wage studies, or other cost accounting studies to identify the direct costs of providing the new service, absent overheads, and must also satisfy the net revenue test. LECs may develop their own costing methodologies, but they must use the same costing methodology for all related services. For example, the same methodology must be used for all BSEs unbundled from local switching. Regardless of the cost methodology selected by the carrier, cost support submitted with the tariff must consist of the following information: (1) a study containing a projection of costs for a representative 12-month period; (2) estimates of the effect of the new service on traffic and revenues, including the traffic and revenues of other services; and (3) supporting workpapers for estimates of costs, traffic, and revenues.

43. In addition, local exchange price cap carriers will be permitted to include, as part of their justification for the prices they select, an analysis of any risk premium they believe they need to supplement their rate of return for the particular new service. Thus, LECs will have the opportunity to justify a higher price for a new service if they can show that they are undertaking a particularly risky venture, which would not be economically practical absent the risk premium they requested. Any LEC

seeking a risk premium pursuant to this paragraph shall include an explanation of the methodology employed to calculate the premium and the projected overall return for the service. To satisfy their burden of proof, carriers must provide evidence of comparably risky undertakings by firms in relevant industries, together with the cost of capital associated with the undertakings. We will evaluate these showings on a case-by-case basis. LECs should also include an on-the-record showing of the following information: (1) research and development expense and investment for the new venture; (2) marketing expense; (3) the type and functions of any new technologies employed; (4) an explanation of the method by which projected demand has been derived; and (5) any special elements of risk.⁸⁰

44. Once the direct costs have been identified, LECs will add an appropriate level of overhead costs to derive the overall price of the new service. To provide the flexibility needed to achieve efficient pricing, we are not mandating uniform loading, but BOCs will be expected to justify the loading methodology they select as well as any deviations from it. We will evaluate the reasonableness of the manner in which overhead costs are loaded onto the cost of the service, including review of the ratios of direct unit cost to unit investment and direct unit cost to unit price. Therefore, we require the BOCs to include these ratios in their tariff filings.⁸¹

45. BSEs. The chief concern raised by commenters opposing the regulation of ONA services under price caps is the heightened danger of discriminatory pricing of BSEs by BOCs who will be competing with the customers who purchase BSEs. We agree that ONA services do present an increased danger of unreasonable discrimination, and we feel that the competitive relationship between the BOCs and ESPs justifies an elevated level of control. To address this concern and help ensure that the BOCs are not discriminating between BSEs used primarily by the BOCs and those used

⁸⁰ We describe more fully in Appendix C the information that LECs are required to include in this on-the-record showing.

⁸¹ In the Part 69/ONA Notice, we proposed to use the same pricing rules for BSEs and for non-ONA services that LECs may offer in the future as separate subelements in their access tariffs. Our decision on the pricing rule for new services offered by price cap carriers subsumes the issue raised in the Part 69/ONA Notice, and we therefore do not address it separately. However, we take this opportunity to clarify our decision in one respect because the comments indicate some confusion. Some carriers expressed an interest in being able to offer new subelements without obtaining a waiver of our Part 69 rate structure rules. Ameritech Comments at 14; BellSouth Comments at 7-8; Contel Comments at 6; NYNEX Comments at 22; PacTel Comments at 11-12; SWBell Comments at 26; USTA Comments at 5. We did not propose to alter the Part 69 rate structure rules for non-ONA services, and we have not done so. Rather, we have revised only the pricing rules that apply to all new services offered by price cap carriers. Therefore, any carrier that wishes to establish a separate rate element for a non-ONA service that conflicts with our Part 69 rules will still be required to obtain a Part 69 waiver.

EXHIBIT D

GLEND A WEIBEL
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1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: CONFERENCE CALL 4/10, 7:00 PDT

DATE: APRIL 8, 1997

TO: LISA ANDERL BOB COUTURE MIKE CRUMLING
 GLEN GABRIELSON KAREN GRIFFITH MERLIN JENSON
 DAN LANKSBURY LARRI MENEAR HARRY MERTZ
 BB NUGENT BRAD OLSON BRENT PEARSON
 DAN POOLE JERRY SHARKEY SONDR A TOMLINSON
 KAREN WONG

FROM: GLEND A WEIBEL *Glende*

The next meeting to discuss USW's compliance with the FCC's April 4, 1997, Payphone Order, has been scheduled for:

Date: Thursday, April 10, 7:00 Seattle time
Dial-in number: 303-633-4584

Please call me if you have any questions about this proceeding.

cc: John Kure, David Anastasi, Wendy Moser, Mary Wybenga, Barbara Wilcox

GLEND A WEIBEL
Issues Manager - Public Policy
1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: CONFERENCE CALL 4/11, 7:30 PDT

DATE: APRIL 10, 1997

TO: LISA ANDERL MIKE CRUMLING GLEN GABRIELSON
KAREN GRIFFITH JIM HANNON MERLIN JENSON
DAN LANKSBURY LARRI MENEAR HARRY MERTZ
CAROL MCGUANE BB NUGENT BRAD OLSON
BRENT PEARSON DAN POOLE JERRY SHARKEY
SONDRA TOMLINSON BARBARA WILCOX KAREN WONG

FROM: GLEND A WEIBEL *Glenda*

Attached is a revised matrix of the application of the new service test to the state rates.
We will discuss this on the call scheduled for:

Date: Friday, April 10, 7:30 Seattle time
Dial-in number: 303-633-4584

Also attached is the *ex parte* U S WEST filed today in response to the FCC's April 4,
Order. Please call me if you have any questions about this proceeding.

cc: John Kure, David Anastasi, Wendy Moser, Mary Wybenga, Jerry Thompson, Bob
Couture

Smart PAL and Basic PAL Monthly Pricing

Flat Price and Cost Margin Analysis

Prepared for New Services Test Purposes

	AZ	CO	IA	ID(S)	ID(N)	MN	MT	ND	NE	NM	OR	SD	UT	WA	WY	
Basic PAL:																
Flat Cost	\$29.01	\$33.17	\$38.36	NA	\$33.66	\$39.03	NA	\$25.15	\$23.49	NA	NA	\$28.35	NA	\$32.39	\$19.32	
Flat Price (tariff)	\$42.31	\$46.63	\$28.15	NA	\$21.49	\$55.00	NA	\$26.70	\$41.50	NA	NA	\$34.75	NA	\$18.40	\$30.56	
Margin	\$13.30	\$13.46	(\$10.21)		(\$12.17)	\$15.97		\$1.55	\$18.01			\$6.40		(\$13.99)	\$11.24	
Margin Percent of Cost	45.85%	40.58%	-26.62%		-36.16%	40.92%		6.16%	76.67%			22.57%		-43.19%	58.18%	
Smart PAL:																
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 (proposed)	\$46.58	\$53.15	\$32.81	\$42.50	\$24.45	\$60.03	\$45.39	\$31.81	\$48.23	\$40.00	\$34.00	\$40.13	\$40.42	\$21.98	\$41.14	
Margin	\$14.64	\$15.34	(\$11.90)	\$4.22	(\$13.84)	\$17.43	\$3.88	\$1.84	\$20.93	\$4.42	\$11.60	\$7.39	\$10.30	(\$13.40)	\$15.13	
Margin Percent of Cost	45.84%	40.57%	-26.62%	11.02%	-36.15%	40.92%	9.35%	6.14%	76.67%	12.42%	51.79%	22.57%	34.20%	-37.87%	58.17%	
* Whenever possible, factors for setting Smart PAL prices are based on Basic PAL price/cost relationship.																
** All costs used are TSLRIC+SC for new services test analysis.																
*** WA and IA State Commissions require the use of Simple Business rate for Basic PAL service.																

U S WEST Communications, Inc.													
Measured/Message Smart PAL Margin Analysis													
New Services Price Test													
Smart PAL		AZ	CO	IA**	ID(S)	MT	NE	NM	OR	SD	UT	MN*	WY
Measured Access Line Revenue:													
1.	Monthly Recurring Revenue	\$ 19.19	\$ 21.06	\$ 30.50	\$ 29.90	\$ 22.57	\$ 27.26	\$ 19.39	\$ 20.74	\$ 26.54	\$ 15.59	\$ 29.46	\$25.93
2.	Average number of messages	226	356	219	289	213	170	337	346	380	432	268	272
3.	Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$0.080	\$0.08
	3a. Iowa avg. minutes of use			420									
4.	Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 17.04	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76
5.	Total Measured Line Revenue (1+4)	\$ 37.27	\$ 60.22	\$ 43.10	\$ 55.91	\$ 39.61	\$ 37.46	\$ 46.35	\$ 44.96	\$ 49.34	\$ 39.35	\$ 50.90	\$ 47.69
Measured Access Line Cost:													
6.	Monthly Recurring Measured Cost	\$ 27.64	\$ 26.96	\$ 34.46	\$ 35.67	\$ 39.79	\$ 25.89	\$ 32.78	\$ 22.77	\$ 30.66	\$ 27.88	\$ 34.37	\$23.76
7.	Usage cost per message	\$0.01915	\$0.01817	\$0.01926	\$0.01953	\$0.01874	\$0.01891	\$0.01880	\$0.00730	\$0.01590	\$0.01570	\$0.02130	\$0.01902
8.	Average Cost of Usage (7*2)	\$ 4.33	\$ 6.47	\$ 4.22	\$ 5.64	\$ 3.99	\$ 3.21	\$ 6.34	\$ 2.53	\$ 6.04	\$ 6.78	\$ 5.71	\$ 5.17
9.	Total Measured Cost	\$ 31.97	\$ 33.43	\$ 38.68	\$ 41.31	\$ 43.78	\$ 29.10	\$ 39.12	\$ 25.30	\$ 36.70	\$ 34.66	\$ 40.08	\$ 28.93
10.	Measured Access Line Margin (5-9)	\$ 5.30	\$ 26.79	\$ 4.42	\$ 14.60	\$ (4.17)	\$ 8.36	\$ 7.23	\$ 19.66	\$ 12.64	\$ 4.69	\$ 10.82	\$ 18.76
11.	Margin Percent Of Cost ((9+10)/9)	16.59%	80.15%	11.43%	35.33%	-9.53%	28.71%	18.49%	77.74%	34.43%	13.52%	27.00%	64.83%
* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.													
** Iowa usage is \$.03 per minute.													
*** All costs shown are TSLRIC+SC for demonstrating new services price test.													
**** WA, ND, ID(N) not included because Smart PAL message rated service is not offered or proposed at this time.													

U S WEST Communications, Inc.

Measured/Message Basic PAL Margin Analysis

Basic PAL	AZ	CO	IA**	ID(S)	MT	NE	NM	OR	SD	UT	MN*	WY
Measured Access Line Revenue:												
1. Monthly Recurring Revenue	\$ 17.16	\$ 18.07	\$ 24.00	\$ 26.02	\$ 20.36	\$ 23.25	\$ 17.60	\$ 18.00	\$ 22.75	\$ 13.76	\$ 26.40	\$18.63
2. Average number of messages	226	356	219	289	213	170	337	346	380	432	268	272
3. Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$0.080	\$0.08
3a. Iowa avg. minutes of use			420									
4. Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 17.04	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76
5. Total Measured Line Revenue (1+4)	\$ 35.24	\$ 57.23	\$ 36.60	\$ 52.03	\$ 37.40	\$ 33.45	\$ 44.56	\$ 42.22	\$ 45.55	\$ 37.52	\$ 47.84	\$ 40.39
Measured Access Line Cost:												
6. Monthly Recurring Measured Cost	\$ 24.71	\$ 23.14	\$ 29.27	\$ 31.04	\$ 35.90	\$ 22.08	\$ 29.76	\$ 17.46	\$ 26.28	\$ 24.60	\$ 30.80	\$17.07
7. Usage cost per message	\$0.01915	\$0.01817	\$0.01926	\$0.01953	\$0.01874	\$0.01891	\$0.01880	\$0.00730	\$0.01590	\$0.01570	\$0.02130	\$0.01902
8. Average Cost of Usage (7*2)	\$ 4.33	\$ 6.47	\$ 4.22	\$ 5.64	\$ 3.99	\$ 3.21	\$ 6.34	\$ 2.53	\$ 6.04	\$ 6.78	\$ 5.71	\$ 5.17
9. Total Measured Cost	\$ 29.04	\$ 29.61	\$ 33.49	\$ 36.68	\$ 39.89	\$ 25.29	\$ 36.10	\$ 19.99	\$ 32.32	\$ 31.38	\$ 36.51	\$ 22.24
10. Measured Access Line Margin (5-9)	\$ 6.20	\$ 27.62	\$ 3.11	\$ 15.35	\$ (2.49)	\$ 8.16	\$ 8.46	\$ 22.23	\$ 13.23	\$ 6.14	\$ 11.33	\$ 18.15
11. Margin Percent Of Cost ((9+10)/9)	21.36%	93.29%	9.29%	41.83%	-6.25%	32.24%	23.45%	111.25%	40.93%	19.56%	31.04%	81.58%
* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.												
** Iowa usage is \$.03 per minute.												
*** All costs shown are TSLRIC+SC for demonstrating new services price test.												
**** WA, ND, ID(N) not included because Smart PAL message rated service is not offered or proposed at this time.												
***** Line (1) above is full resale price which excludes any call allowance.												

U S WEST, Inc.
Suite 700
1020 Nineteenth Street, NW
Washington, DC 20036
202 426-2131
FAX 202 295-5157

USWEST

BB Nugent
Executive Director
Federal Regulatory

WRITTEN EX PARTE

April 10, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222, SC-1170
Washington, DC 20554

RE: In The Matter of Implementation of the Pay Telephone
Reclassification and Compensation Provisions of the
Telecommunications Act of 1996, CC Docket No. 96-128

Dear Mr. Caton:

U S WEST Communications, Inc. (USWC) hereby files this ex parte to comply with the Common Carrier Bureau's April 4, 1997 Order in CC Docket No. 96-128. The Order requires each Operating Company (BOC) to inform the Commission on the status of the BOC's intrastate tariffs for the payphone unbundled features and functions that it has not yet federally, and state that the BOC commits to filing federal tariffs for such unbundled features and functions within 45 days of the release date of the Order.

This is to advise that USWC federally tariffed the network-based payphone specific unbundled features and functions in its intrastate tariffs on January 15, 1997 in Transmittal No. 823 and is in full compliance with the Commission's federal tariffing requirements for the network-based payphone specific unbundled features and functions, as set forth in the Commission's Payphone Order and Order on Reconsideration. Therefore, USWC does not seek a waiver of the Commission's federal tariffing requirements in order to be eligible to receive the payphone compensation provided by the Payphone Reclassification Proceeding.

In accordance with Section 1.1206(a)(1) of the Commission's rules, the original and one copy of this letter are being filed with your office for inclusion in the public record for the above-mentioned proceeding.

Mr. William F. Caton

April 10, 1997

Page 2

Acknowledgment and date of receipt of this submission are requested. A duplicate of this letter is provided for this purpose.

Please contact me if you have any questions.

Sincerely,

B.B. Nugent

cc: Ms. Regina Keeney
Mr. Richard Metzgar
Ms. Mary Beth Richards
Mr. John Muleta
Mr. Jim Schlichting
Mr. Richard Welch
Ms. Carol Matthey
Mr. Michael Carowitz
Ms. Judy Nitsche
Mr. Mike Pryor

GLEND A WEIBEL
Issues Manager - Public Policy
1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: CONVERENCE CALL 5/6, 9:00 PDT

DATE: MAY 6, 1997

TO: LISA ANDERL BOB COUTURE
 JIM HANNON JEFF JONES
 JOHN KURE CAROL MCGUANE
 BB NUGENT BRAD OLSON
 SUE PAWLIK BARBARA WILCOX

FROM: GLEND A WEIBEL *Glenda*

Attached is the most recent version of the new services test prepared by Bob Couture. We will discuss this test and make a determination of what, if any, state filings USW will need to make to meet the test at our conference call. That call is scheduled for:

Date: Wednesday, May 7, at 9:00 Seattle time
Dial-in Number: 303-633-4584

Please call me if you have any questions.

cc: Dan Lanksbury

U S WEST Communications, Inc.

Costs are TSLRIC

New Services Price Test

Basic PAL

(note 1)

	AZ	CO	IA**	ID(S)	MT	NE	NM	OR	SD	UT	MN*	WY
Measured Access Line Revenue:												
1. Monthly Recurring Revenue	\$ 17.16	\$ 18.07	\$ 24.00	\$ 26.02	\$ 20.36	\$ 23.25	\$ 17.60	\$ 18.00	\$ 22.75	\$ 13.76	\$ 26.40	\$18.63
2. Average number of messages	226	356	NA	289	NA	170	337	346	380	432	268	272
3. Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.01	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$0.08	\$0.08
3a. Avg. minutes of use			420		368							
4. Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 3.68	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76
4a. SD Discount (30% over \$20)									0.84			
5. CALC	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
6. Total Measured Line Revenue (1+4)	\$ 41.24	\$ 63.23	\$ 42.60	\$ 58.03	\$ 30.04	\$ 39.45	\$ 50.56	\$ 48.22	\$ 51.55	\$ 43.52	\$ 53.84	\$ 46.39
Measured Access Line Cost:												
6. Monthly Recurring Measured Cost	\$ 22.27	\$ 20.17	\$ 18.35	\$ 28.14	\$ 32.14	\$ 19.59	\$ 26.86	\$ 17.46	\$ 23.69	\$ 15.39	\$ 27.48	\$15.16
7. Usage cost per message	\$0.01422	\$0.01588	NA	\$0.01431	NA	\$0.01381	\$0.01413	\$0.00611	\$0.01298	\$0.01314	\$0.01519	\$0.00580
7a. Usage cost, first minute			\$0.00694		\$0.01295							
7b. Usage cost, add'l minutes			\$0.00694		\$0.00109							
8. Average Cost of Usage (7*2)	\$ 3.21	\$ 5.65	\$ 2.91	\$ 4.14	\$0.41	\$ 2.35	\$ 4.76	\$ 2.11	\$ 4.93	\$ 5.68	\$ 4.07	\$ 1.58
9. Total Measured Cost	\$ 25.48	\$ 25.82	\$ 21.26	\$ 32.28	\$ 32.55	\$ 21.94	\$ 31.62	\$ 19.57	\$ 28.62	\$ 21.07	\$ 31.55	\$ 16.74
10. Rate Divided by Cost (6 / 9)	161.83%	244.86%	200.33%	179.80%	92.28%	179.83%	159.89%	246.35%	180.10%	206.58%	170.64%	277.16%
(Cost are TSLRIC, Economic Life, except IA and UT which are TSLRIC, Prescribed Life)												
Note 1: See individual Montana spreadsheet for further new services price test analysis.												
* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.												
** Iowa usage rate is \$.03 per minute. Montana usage rate is \$.01 per minute.												
*** WA, ND, ID(N) not included because Basic PAL message/measured rated service is not offered or proposed at this time.												
**** Line (1) above is full resale price which excludes any call allowance.												

U S WEST Communications, Inc.
Measured/Message Smart PAL Rate/Cost Analysis

New Services Price Test

Smart PAL		AZ	CO	IA **	ID(S)	MT	NE	NM	OR	SD	UT	MN*	WY
Measured Access Line Revenue:													
1.	Monthly Recurring Revenue	\$ 19.19	\$ 21.06	\$ 30.50	\$ 29.90	\$ 22.57	\$ 27.26	\$ 19.39	\$ 20.74	\$ 26.54	\$ 15.59	\$ 29.46	\$ 25.93
2.	Average number of messages	226	356	219	289	213	170	337	346	380	432	268	272
3.	Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.080	\$ 0.08
	3a. Iowa avg. minutes of use			420									
4.	Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 17.04	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76
	4a. SD Discount (30% over \$20)								\$ 0.84				
5.	Total Measured Line Revenue (1+4)	\$ 37.27	\$ 60.22	\$ 43.10	\$ 55.91	\$ 39.61	\$ 37.46	\$ 46.35	\$ 44.96	\$ 48.50	\$ 39.35	\$ 50.90	\$ 47.69
Measured Access Line Cost:													
6.	Monthly Recurring Measured Cost	\$ 24.85	\$ 23.96	\$ 22.86	\$ 32.02	\$ 35.46	\$ 22.82	\$ 29.51	\$ 20.12	\$ 27.35	\$ 17.73	\$ 30.55	\$ 20.66
7.	Usage cost per message **	\$ 0.01422	\$ 0.01588	\$ 0.00694	\$ 0.01431	\$ 0.01374	\$ 0.01381	\$ 0.01413	\$ 0.00611	\$ 0.01298	\$ 0.01314	\$ 0.01519	\$ 0.01329
	7a. Usage cost per minute												
8.	Average Cost of Usage (7*2)	\$ 3.21	\$ 5.65	\$ 2.91	\$ 4.14	\$ 2.93	\$ 2.35	\$ 4.76	\$ 2.11	\$ 4.93	\$ 5.68	\$ 4.07	\$ 3.61
9.	Total Measured Cost	\$ 28.06	\$ 29.61	\$ 25.77	\$ 36.16	\$ 38.39	\$ 25.17	\$ 34.27	\$ 22.23	\$ 32.28	\$ 23.41	\$ 34.62	\$ 24.27
10.	Rate Divided by Cost (5 / 9)	132.80%	203.35%	167.22%	154.64%	103.19%	148.84%	135.24%	202.21%	150.24%	168.12%	147.02%	196.46%
(Costs are TSLRIC, Economic Life, except IA and UT which are TSLRIC, Prescribed Life)													
* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.													
** Iowa usage is \$.03 per minute. Iowa cost is also stated on a per minute basis.													
*** WA, ND, ID(N) not included because Smart PAL message rated service is not offered or proposed at this time.													
**** Line 1 above is full resale price.													

Smart PAL and Basic PAL Monthly Pricing

Flat Rate and Cost Analysis

Prepared for New Services Test Purposes

	AZ	CO	IA	ID(S)	ID(N)	MN	MT	ND	NE	NM	OR	SD	UT	WA	WY
Basic PAL:					(note 1)										
Flat Cost	\$29.01	\$27.45	\$31.18	NA	\$33.66	\$39.03	NA	\$25.15	\$23.49	NA	NA	\$28.35	\$26.84	\$32.39	\$19.32
Flat Rate (tariff)	\$42.31	\$46.63	\$28.15	NA	\$21.49	\$55.00	NA	\$26.70	\$41.50	NA	NA	\$34.75	\$36.02	\$18.40	\$30.56
Rate divided by Cost	145.85%	169.87%	90.28%		63.84%	140.92%		106.16%	176.67%			122.57%	134.20%	56.81%	158.18%
Smart PAL:															
Flat Cost	\$31.94	\$31.27	\$36.36	\$38.29	\$38.29	\$42.60	\$41.51	\$29.97	\$27.30	\$35.58	\$24.80	\$32.74	\$30.04	\$35.38	\$26.01
Flat Rate (proposed)	\$46.58	\$53.15	\$34.65	\$42.50	\$24.45	\$60.03	\$45.39	\$31.81	\$48.23	\$40.00	\$40.00	\$40.13	\$40.42	\$21.98	\$41.14
Rate divided by Cost	145.84%	169.97%	95.30%	111.00%	63.85%	140.92%	109.35%	106.14%	176.67%	112.42%	161.29%	122.57%	134.55%	62.13%	158.17%
Note 1:	See individual Montana spreadsheet for further analysis of new services price test.														
*	Whenever possible, factors for setting Smart PAL prices are based on Basic PAL price/cost relationship.														
**	All costs used are TSLRIC+SC (Economic Life) for new services test analysis.														
***	WA and IA State Commissions require the use of Simple Business rate for Basic PAL service.														

GLEND A WEIBEL
Issues Manager - Public Policy
1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: CONFERENCE CALL 5/8, 1:00 PDT

DATE: MAY 8, 1997

TO: LISA ANDERL	BOB COUTURE
JIM HANNON	JEFF JONES
JOHN KURE	CAROL MCGUANE
BB NUGENT	BRAD OLSON
GREG SMITH	BARBARA WILCOX

FROM: GLEND A WEIBEL *Glenda*

Attached is the today's version of the new services test prepared by Bob Couture. We will discuss this test and make a determination of what, if any, state filings USW will need to make to meet the test at our conference call. That call is scheduled for:

Date: Thursday, May 8, at 1:00 Seattle time

Dial-in Number: 303-633-4584

Please call me if you have any questions.

cc: John Kure, Dan Lanksbury

ATTORNEY-CLIENT PRIVILEGE

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Smart PAL and Basic PAL Monthly Pricing																
Flat Rate and Cost Analysis																
Prepared for New Services Test Purposes																
Costs are TSLRIC																
	AZ	CO	IA	ID(S)	ID(N)	MN	MT	ND	NE	NM	OR	SD	UT	WA	WY	
Basic PAL:																
Flat Cost	\$24.63	\$23.02	\$19.82	NA	\$29.55	\$31.86	NA	\$22.23	\$20.32	NA	NA	\$25.05	\$16.49	\$17.63	\$16.20	
Flat Rate (tariff)	\$42.31	\$46.63	\$28.15	NA	\$21.49	\$55.00	NA	\$26.70	\$41.50	NA	NA	\$34.75	\$36.02	\$18.40	\$30.56	
Rate divided by Cost	171.78%	202.56%	142.03%		72.72%	172.63%		120.11%	204.23%			138.72%	218.44%	104.37%	188.64%	
Smart PAL:																
Flat Cost	\$27.21	\$26.26	\$23.70	\$33.43	\$33.43	\$34.92	\$36.36	\$26.25	\$23.55	\$31.07	\$22.40	\$28.71	\$18.83	\$19.77	\$21.66	
Flat Rate (proposed)	\$46.58	\$53.15	\$34.65	\$42.50	\$24.45	\$60.03	\$45.39	\$31.81	\$48.23	\$40.00	\$40.00	\$40.13	\$40.42	\$21.98	\$41.14	
Rate divided by Cost	171.19%	202.40%	146.20%	127.13%	73.14%	171.91%	124.83%	121.18%	204.80%	128.74%	178.57%	139.78%	214.66%	111.18%	189.94%	
(Costs are TSLRIC, Economic Life except IA, UT and WA which are TSLRIC, Prescribed Life)																
** WA and IA State Commissions require the use of Simple Business rate for Basic PAL service.																

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U S WEST Communications, Inc.														
Measured/Message Smart PAL Rate/Cost Analysis														
(Costs are TSLRIC, see note below)														
New Services Price Test														
Smart PAL														
		AZ	CO	IA**	ID(S)	MT	NE	NM	OR	SD	UT	MN*	WY	
Measured Access Line Revenue:														
1.	Monthly Recurring Revenue	\$ 19.19	\$ 21.06	\$ 30.50	\$ 29.90	\$ 22.57	\$ 27.26	\$ 19.39	\$ 20.74	\$ 26.54	\$ 15.59	\$ 29.46	\$ 25.93	
2.	Average number of messages	226	356	219	289	213	170	337	346	380	432	268	272	
3.	Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.080	\$ 0.08	
	3a. Iowa avg. minutes of use			420										
4.	Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 17.04	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76	
	4a. SD Discount (30% over \$20)									\$ 0.84				
5.	Total Measured Line Revenue (1+4)	\$ 37.27	\$ 60.22	\$ 43.10	\$ 55.91	\$ 39.61	\$ 37.46	\$ 46.35	\$ 44.96	\$ 48.50	\$ 39.35	\$ 50.90	\$ 47.69	
Measured Access Line Cost:														
6.	Monthly Recurring Measured Cost	\$ 24.85	\$ 23.96	\$ 22.86	\$ 32.02	\$ 35.46	\$ 22.82	\$ 29.51	\$ 20.12	\$ 27.35	\$ 17.73	\$ 30.55	\$ 20.66	
7.	Usage cost per message **	\$ 0.01422	\$ 0.01588	NA	\$ 0.01431	\$ 0.01374	\$ 0.01381	\$ 0.01413	\$ 0.00611	\$ 0.01298	\$ 0.01314	\$ 0.01519	\$ 0.01329	
	7a. Usage cost per minute			\$ 0.00694										
8.	Average Cost of Usage (7*2)	\$ 3.21	\$ 5.65	\$ 2.91	\$ 4.14	\$ 2.93	\$ 2.35	\$ 4.76	\$ 2.11	\$ 4.93	\$ 5.68	\$ 4.07	\$ 3.61	
9.	Total Measured Cost	\$ 28.06	\$ 29.61	\$ 25.77	\$ 36.16	\$ 38.39	\$ 25.17	\$ 34.27	\$ 22.23	\$ 32.28	\$ 23.41	\$ 34.62	\$ 24.27	
10.	Rate Divided by Cost (5 / 9)	132.80%	203.35%	167.22%	154.64%	103.19%	148.84%	135.24%	202.21%	150.24%	168.12%	147.02%	196.46%	
(Costs are TSLRIC, Economic Life, except IA and UT which are TSLRIC, Prescribed Life)														
* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.														
** Iowa usage is \$.03 per minute. Iowa cost is also stated on a per minute basis.														
*** WA, ND, ID(N) not included because Smart PAL message rated service is not offered or proposed at this time.														
**** Line 1 above is full resale price.														

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U S WEST Communications, Inc.														
Costs are TSLRIC														
New Services Price Test														
Basic PAL														
		AZ	CO	IA**	ID(S)	MT	NE	NM	OR	SD	UT	MN*	WY	
Measured Access Line Revenue:														
1.	Monthly Recurring Revenue	\$ 17.16	\$ 18.07	\$ 24.00	\$ 26.02	\$ 20.36	\$ 23.25	\$ 17.60	\$ 18.00	\$ 22.75	\$ 13.76	\$ 26.40	\$18.63	
2.	Average number of messages	226	356	NA	289	NA	170	337	346	380	432	268	272	
3.	Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.01	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$0.08	\$0.08	
	3a. Avg. minutes of use			420		368								
4.	Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 3.68	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76	
	4a. SD Discount (30% over \$20)									0.84				
5.	CALC	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	
6.	Total Measured Line Revenue (1+4)	\$ 41.24	\$ 63.23	\$ 42.60	\$ 58.03	\$ 30.04	\$ 39.45	\$ 50.56	\$ 48.22	\$ 51.55	\$ 43.52	\$ 53.84	\$ 46.39	
Measured Access Line Cost:														
6.	Monthly Recurring Measured Cost	\$ 22.27	\$ 20.17	\$ 18.35	\$ 28.14	\$ 32.14	\$ 19.59	\$ 26.86	\$ 17.46	\$ 23.69	\$ 15.39	\$ 27.48	\$15.16	
7.	Usage cost per message	\$0.01422	\$0.01588	NA	\$0.01431	NA	\$0.01381	\$0.01413	\$0.00611	\$0.01298	\$0.01314	\$0.01519	\$0.00580	
	7a. Usage cost, first minute			\$0.00694		\$0.01295								
	7b. Usage cost, add'l minutes			\$0.00694		\$0.00109								
8.	Average Cost of Usage (7*2)	\$ 3.21	\$ 5.65	\$ 2.91	\$ 4.14	\$0.41	\$ 2.35	\$ 4.76	\$ 2.11	\$ 4.93	\$ 5.68	\$ 4.07	\$ 1.58	
9.	Total Measured Cost	\$ 25.48	\$ 25.82	\$ 21.26	\$ 32.28	\$ 32.55	\$ 21.94	\$ 31.62	\$ 19.57	\$ 28.62	\$ 21.07	\$ 31.55	\$ 16.74	
10.	Rate Divided by Cost (6 / 9)	161.83%	244.86%	200.33%	179.80%	92.28%	179.83%	159.89%	246.35%	180.10%	206.58%	170.64%	277.16%	
(Cost are TSLRIC, Economic Life, except IA and UT which are TSLRIC, Prescribed Life)														
* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.														
** Iowa usage rate is \$.03 per minute. Montana usage rate is \$.01 per minute.														
*** WA, ND, ID(N) not included because Basic PAL message/measured rated service is not offered or proposed at this time.														
**** Line (1) above is full resale price which excludes any call allowance.														

GLEND A WEIBEL
Issues Manager - Public Policy
1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: CONFERENCE CALL 5/¹²9, 8:30 PDT

DATE: MAY 9, 1997

TO: LISA ANDERL GRETCHEN CHESLEY
BOB COUTURE JIM HANNON
CAROL MCGUANE BB NUGENT
BRAD OLSON GREG SMITH
BARBARA WILCOX

FROM: GLEND A WEIBEL *Glenda*

Attached is today's version of the new services test prepared by Bob Couture. We will discuss this test and make a determination of what, if any, state filings USW will need to make to meet the test at our next conference call. That call is scheduled for:

Date: Monday, May ¹²9, at 8:30 Seattle time
Dial-in Number: 303-633-2827

Please call me if you have any questions.

cc: John Kure, Dan Lanksbury

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Smart PAL and Basic PAL Monthly Pricing																
Flat Rate and Cost Analysis																
Prepared for New Services Test Purposes																
Costs are TSLRIC (see note 1)																
	AZ	CO	IA**	ID(S)	ID(N)	MN	MT	ND	NE	NM	OR	SD	UT	WA**	WY	
Basic PAL:																
Flat Cost	\$24.63	\$23.02	\$19.82	NA	\$29.55	\$31.86	NA	\$22.23	\$20.32	NA	NA	\$25.05	\$16.49	\$17.63	\$16.20	
Flat Rate (See Note 2)	\$42.31	\$46.63	\$28.15	NA	\$24.07	\$59.47	NA	\$29.81	\$41.50	NA	NA	\$34.75	\$36.02	\$25.05	\$30.56	
CALC	\$6.00	\$6.00	\$6.00		\$6.00	\$6.00		\$6.00	\$6.00			\$6.00	\$6.00	\$6.00	\$6.00	
Total Rate including CALC	\$48.31	\$52.63	\$34.15		\$30.07	\$65.47		\$35.81	\$47.50			\$40.75	\$42.02	\$31.05	\$36.56	
Rate divided by Cost	196.14%	228.63%	172.30%		101.76%	205.49%		161.09%	233.76%			162.67%	254.82%	176.12%	225.68%	
Smart PAL:																
Flat Cost	\$27.21	\$26.26	\$23.70	\$33.43	\$33.43	\$34.92	\$36.36	\$26.25	\$23.55	\$31.07	\$22.40	\$28.71	\$18.83	\$19.77	\$21.66	
Flat Rate (See Note 3)	\$46.58	\$53.15	\$38.12	\$42.50	\$27.39	\$64.83	\$45.39	\$35.63	\$48.23	\$40.00	\$40.00	\$40.13	\$40.42	\$29.89	\$41.14	
CALC	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	
Total Rate including CALC	\$52.58	\$59.15	\$44.12	\$48.50	\$33.39	\$70.83	\$51.39	\$41.63	\$54.23	\$46.00	\$46.00	\$46.13	\$46.42	\$35.89	\$47.14	
Rate divided by Cost	193.24%	225.25%	186.16%	145.08%	99.88%	202.84%	141.34%	158.59%	230.28%	148.05%	205.36%	160.68%	246.52%	181.54%	217.64%	
Note 1:	(Costs are TSLRIC, Economic Life except IA, UT and WA which are TSLRIC, Prescribed Life)															
**	WA and IA State Commissions require the use of Simple Business rate for Basic PAL service.															
Note 2:	The rate shown is the tariffed price. A weighted average price has been calculated in states where multiple rate groups exist. (i.e., Idaho (N), Iowa, Minnesota, North Dakota, Washington)															
Note 3:	The rate shown is the tariffed price. An average price has been calculated in those states which have multiple rate groups. Since this product has not yet been deployed, the average price is based on the percentage that the B-PAL weighted avg. price is greater than its base rate price. (i.e., Idaho (N), Iowa, Minnesota, North Dakota, Washington)															

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U S WEST Communications, Inc.

Costs are TSLRIC														
New Services Price Test														
Basic PAL														
		AZ	CO	IA**	ID(S)	MT**	NE	NM	OR	SD	UT	MN*	WY	
Measured Access Line Revenue:														
1.	Recurring Revenue (Note 1)	\$ 17.16	\$ 18.07	\$ 24.00	\$ 30.35	\$ 20.36	\$ 23.25	\$ 30.18	\$ 18.00	\$ 22.75	\$ 13.76	\$ 24.33	\$ 18.63	
2.	Average number of messages	226	356	NA	289	NA	170	337	346	380	432	268	272	
3.	Usage Rate per message**	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.01	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.08	\$ 0.08	
	3a. Avg. minutes of use			420		368								
4.	Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 3.68	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76	
	4a. SD Discount (30% over \$20)									0.84				
5.	CALC	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	
6.	Total Measured Revenue (1+4+5)	\$ 41.24	\$ 63.23	\$ 42.60	\$ 62.36	\$ 30.04	\$ 39.45	\$ 63.14	\$ 48.22	\$ 51.55	\$ 43.52	\$ 51.77	\$ 46.39	
Measured Access Line Cost:														
7.	Monthly Recurring Measured Cost	\$ 22.27	\$ 20.17	\$ 18.35	\$ 28.14	\$ 32.14	\$ 19.59	\$ 26.86	\$ 17.46	\$ 23.69	\$ 15.39	\$ 27.48	\$ 15.16	
8.	Usage cost per message	\$0.01422	\$0.01588	NA	\$0.01431	NA	\$0.01381	\$0.01413	\$0.00611	\$0.01298	\$0.01314	\$0.01519	\$0.00580	
	8a. Usage cost, first minute			\$0.00694		\$0.01295								
	8b. Usage cost, add'l minutes			\$0.00694		\$0.00109								
9.	Average Cost of Usage (8*2)	\$ 3.21	\$ 5.65	\$ 2.91	\$ 4.14	\$ 0.41	\$ 2.35	\$ 4.76	\$ 2.11	\$ 4.93	\$ 5.68	\$ 4.07	\$ 1.58	
10.	Total Measured Cost	\$ 25.48	\$ 25.82	\$ 21.26	\$ 32.28	\$ 32.55	\$ 21.94	\$ 31.62	\$ 19.57	\$ 28.62	\$ 21.07	\$ 31.55	\$ 16.74	
11.	Rate Divided by Cost (6/10)	161.83%	244.86%	200.33%	193.21%	92.28%	179.83%	199.67%	246.35%	180.10%	206.58%	164.08%	277.16%	
(Cost are TSLRIC, Economic Life, except IA and UT which are TSLRIC, Prescribed Life)														
Note 1: Rate is tariffed price. A weighted avg. is used in states with multiple rate groups (i.e., ID (S), MN, NM).														
* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.														
** Iowa usage rate is \$.03 per minute. Montana usage rate is \$.01 per minute.														
*** WA, ND, ID(N) not included because Basic PAL message/measured rated service is not offered or proposed at this time.														
**** Line (1) above is full resale price which excludes any call allowance.														

3 of 4

U S WEST Communications, Inc.														
Measured/Message Smart PAL Rate/Cost Analysis														
(Costs are TSLRIC, see note below)														
New Services Price Test														
Smart PAL														
		AZ	CO	IA**	ID(S)	MT	NE	NM	OR	SD	UT	MN*	WY	
Measured Access Line Revenue:														
1.	Recurring Revenue (Note 1)	\$ 19.19	\$ 21.06	\$ 30.50	\$ 34.98	\$ 22.57	\$ 27.26	\$ 25.01	\$ 20.74	\$ 26.54	\$ 15.59	\$ 35.35	\$ 25.93	
2.	Average number of messages	226	356	219	289	213	170	337	346	380	432	268	272	
3.	Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.080	\$ 0.08	
	3a. Iowa avg. minutes of use			420										
4.	Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 17.04	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76	
	4a. SD Discount (30% over \$20)									\$0.84				
5.	CALC	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	
6.	Total Measured Revenue(1+4+5)	\$ 43.27	\$ 66.22	\$ 49.10	\$ 66.99	\$ 45.61	\$ 43.46	\$ 57.97	\$ 50.96	\$ 54.50	\$ 45.35	\$ 62.79	\$ 53.69	
Measured Access Line Cost:														
7.	Monthly Recurring Measured Cost	\$ 24.85	\$ 23.96	\$ 22.86	\$ 32.02	\$ 35.46	\$ 22.82	\$ 29.51	\$ 20.12	\$ 27.35	\$ 17.73	\$ 30.55	\$ 20.66	
8.	Usage cost per message **	\$0.01422	\$0.01588	NA	\$0.01431	\$0.01374	\$0.01381	\$0.01413	\$0.00611	\$0.01298	\$0.01314	\$0.01519	\$0.01329	
	8a. Usage cost per minute			\$0.00694										
9.	Average Cost of Usage (8*2)	\$ 3.21	\$ 5.65	\$ 2.91	\$ 4.14	\$ 2.93	\$ 2.35	\$ 4.76	\$ 2.11	\$ 4.93	\$ 5.68	\$ 4.07	\$ 3.61	
10.	Total Measured Cost	\$ 28.06	\$ 29.61	\$ 25.77	\$ 36.16	\$ 38.39	\$ 25.17	\$ 34.27	\$ 22.23	\$ 32.28	\$ 23.41	\$ 34.62	\$ 24.27	
11.	Rate Divided by Cost (6 /10)	154.18%	223.62%	190.50%	185.28%	118.82%	172.68%	169.15%	229.20%	168.82%	193.75%	181.36%	221.18%	
(Costs are TSLRIC, Economic Life, except IA and UT which are TSLRIC, Prescribed Life)														
Note 1: Line 1 is triffed rate. An avg. price is used in those states with multiple rate groups. The avg. price is based on the percentage that the B-PAL weighted avg. is greater than its base rate price.														
* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.														
** Iowa usage is \$.03 per minute. Iowa cost is also stated on a per minute basis.														
*** WA, ND, ID(N) not included because Smart PAL message rated service is not offered or proposed at this time.														

GLEND A WEIBEL
Issues Manager - Public Policy
1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: CONFERENCE CALL 5/13, 8:30 PDT

DATE: MAY 12, 1997

TO: LISA ANDERL GRETCHEN CHESLEY
 BOB COUTURE CAROL MCGUANE
 BB NUGENT BRAD OLSON
 BARBARA WILCOX

FROM: GLEND A WEIBEL *Glenda*

Attached is the EAS information for the new services test. We will discuss this information and make a determination of what, if any, state filings USW will need to make to meet the test at our next conference call. That call is scheduled for:

Date: Tuesday, May 13, at 8:30 Seattle time
Dial-in Number: 303-633-4584

Please call me if you have any questions.

cc: (w/out attachments) John Kure, Dan Lanksbury, Jim Hannon, Greg Smith

Summary

DECEMBER 1996 BUSINESS 1FB WEIGHTED RATE

	AZ	CO	IA	NID	SID	MN	MT	ND	NE	NM	OR **	SD	WA * **
EAS	*	*	*	N/A	N/A	\$0.37	\$0.00	\$0.68	\$0.53	\$1.16	\$3.06	\$0.01	N/A
ZONE INC	\$0.10	\$0.22	N/A	N/A	\$0.15	N/A	\$0.32	N/A	NA	\$0.19	N/A	N/A	N/A

* The EAS/Zone rate is included as part of the line rate.

** OR and WA, this contains the average rate for Simple and Complex

Zone charges will be eliminated in Southern Idaho effective 5/23/97. All exchanges with EAS will be in Rate Group 3.

Beginning 5/22/97, flat rated service will increase \$2.55 in 36 exchanges where the local calling area is being expanded.

SOURCE CENTRAL REGION: TRAQRS, TARIFF, RMIE

SOURCE EASTERN REGION: IRS, TARIFF, RMIE

SOURCE WESTERN REGION: A1817, TARIFF, RMIE

"Administrative/management report; may contain restricted CPNI. The information contained within **MAY NOT** be used for enhanced services or CPE planning, marketing or sales activities."

5/12/97

Summary

UT	WY
N/A	\$0.32
N/A	\$0.48

"Administrative/management report; may contain restricted CPNI. The information contained within **MAY NOT** be used for enhanced services or CPE planning, marketing or sales activities."

5/12/97

EXHIBIT E

GLEND A WEIBEL
Issues Manager - Public Policy
1600 Bell Plaza, Room 3201
Seattle, WA 98191

U S WEST, Inc.

Tel: 206-346-9428
Fax: 206-345-2129

PROCEEDING: CC DOCKET 96-128

SUBJECT: TELECOM ACT - PAYPHONE REQUIREMENTS

ACTION: FOR YOUR REVIEW

DATE: MAY 15, 1997

TO: LISA ANDERL GRETCHEN CHESLEY
 BOB COUTURE JIM HANNON
 CAROL MCGUANE BB NUGENT
 BRAD OLSON BARBARA WILCOX

FROM: GLEND A WEIBEL *Glenda*

Attached is the final new services test information from Bob Couture.

Please call me if you have any questions.

cc: (w/out attachments) John Kure, Dan Lanksbury, Greg Smith

DATE: MAY 14, 1997
TO: GLENDA WEIBEL
FROM: BOB COUTURE *BC*
SUBJECT: NEW SERVICES PRICE TEST - PAYPHONE
RELATED SERVICES

Please distribute this memo and the attached spreadsheets to the New Services Price Test Team.

Attached are four confidential spreadsheets which document our comprehensive New Services Price Test analysis for payphone related services. The price adjustments discussed during our conference call of May 12, have been included in these spreadsheets. In addition, I have determined that the upcoming Montana rate increase of \$2.55 only applies to flat rated service. Therefore, Brad Olson and I are proceeding with the proposed price increase for Montana as shown below.

Further analysis of the Split Blocking product has shown that it meets the new services price test without a price increase in Minnesota. Although the monthly recurring price is mandated at \$0.00 by the Minnesota Commission, the non-recurring charge of \$8.00 (applies whether it is added at the time the PAL is ordered, or added later) covers the non-recurring costs as well as the recurring costs for a significant period of time beyond the average life of a Public Access Line. Therefore, no price increase is required.

In order to meet the New Services Price Test for all payphone related services, the following three product price adjustments will be filed as proposed new rates no later than Friday, May 16, 1997:

Product: Answer Supervision - Line Side
Product Mgr: Brad Olson
State: Washington
Price Proposal: Increase from \$1.00 per month, to \$3.95.

Product: Smart Public Access Line - Message Rated
Product Mgr: Brad Olson
State: Idaho - North
Price Proposal: Rate Group 1: Increase price by \$.91 (from \$24.45 to \$25.36).
Rate Group 2: Increase price by \$.91 (from \$27.45 to \$28.36).

Product: Basic Public Access Line - Message Rated
Product Mgr: Brad Olson
State: Montana
Price Proposal: Discontinue usage charge of \$.01 per minute, and replace with \$.08 per message charge.

Attachments

Smart PAL and Basic PAL Monthly Pricing

Prepared for New Services Price Test Purposes

Basic and Smart PAL - Flat Rate

Costs are TSLRIC (Note 1)																
	AZ	CO	IA**	ID(S)	ID(N)	MN	MT	ND	NE	NM	OR	SD	UT	WA**	WY	
Basic PAL:																
Flat Cost	\$24.63	\$23.02	\$19.82	NA	\$29.55	\$31.86	NA	\$22.23	\$20.32	NA	NA	\$25.05	\$16.49	\$17.63	\$16.20	
Flat Rate (See Note 2)	\$42.31	\$46.63	\$28.15	NA	\$24.07	\$59.47	NA	\$29.81	\$41.50	NA	NA	\$34.75	\$36.02	\$25.05	\$30.56	
EAS & Zone (Note 4)	\$0.10	\$0.34				\$0.68		\$1.39	\$0.53						\$0.80	
CALC	\$6.00	\$6.00	\$4.69		\$6.00	\$5.27		\$6.00	\$6.00			\$5.19	\$6.00	\$5.61	\$6.00	
Total Rate including CALC	\$48.41	\$52.97	\$32.84		\$30.07	\$65.42		\$37.20	\$48.03			\$39.94	\$42.02	\$30.66	\$37.36	
Rate divided by Cost	197%	230%	166%		102%	205%		167%	236%			159%	255%	174%	231%	
Smart PAL:																
Flat Cost	\$27.21	\$26.26	\$23.70	\$33.43	\$33.43	\$34.92	\$36.36	\$26.25	\$23.55	\$31.07	\$22.40	\$28.71	\$18.83	\$19.77	\$21.66	
Flat Rate (See Note 3)	\$46.58	\$53.15	\$38.12	\$42.50	\$27.94	\$64.83	\$45.39	\$35.63	\$48.23	\$40.00	\$40.00	\$40.13	\$40.42	\$29.89	\$41.14	
EAS & Zone (Note 4)	\$0.10	\$0.34	\$0.15			\$0.68	\$0.32	\$1.39	\$0.53	\$1.35	\$3.06				\$0.80	
CALC	\$6.00	\$6.00	\$4.69	\$6.00	\$6.00	\$5.27	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$5.19	\$6.00	\$5.61	\$6.00	
Total Rate including CALC	\$52.68	\$59.49	\$42.81	\$48.65	\$33.94	\$70.78	\$51.71	\$43.02	\$54.76	\$47.35	\$49.06	\$45.32	\$46.42	\$35.50	\$47.94	
Rate divided by Cost	194%	227%	181%	146%	102%	203%	142%	164%	233%	152%	219%	158%	247%	180%	221%	
Note 1:	(Costs are TSLRIC, Economic Life except IA, UT and WA which are TSLRIC, Prescribed Life)															
Note 2:	The rate shown is the tariffed price. A weighted average price has been calculated in states where multiple rate groups exist. (i.e., Idaho (N), Iowa, Minnesota, North Dakota, Washington)															
Note 3:	The rate shown is the tariffed price. An average price has been calculated in those states which have multiple rate groups. Since this product has not yet been deployed, the average price is based on the percentage that the B-PAL weighted avg. price is greater than its base rate price. (i.e., Idaho (N), Iowa, Minnesota, North Dakota, Washington)															
Note 4:	PAL subscribers' weighted average non-optional EAS and Zone charges which are not included in access line rate.															
**	WA and IA State Commissions require the use of Simple Business rate for Basic PAL service.															

U S WEST Communications, Inc.

Prepared for New Services Price Test

Basic PAL - Usage Rated

Costs are TSLRIC (See Note 1 below)

	AZ	CO	IA **	ID(S)	MT**	NE	NM	OR	SD	UT	MN *	WY
Measured Access Line Revenue:												
1. Recurring Revenue (Note 2)	\$ 17.16	\$ 18.07	\$ 24.00	\$ 30.35	\$ 20.36	\$ 23.25	\$ 30.18	\$ 18.00	\$ 22.75	\$ 13.76	\$ 24.33	\$18.63
2. Average number of messages	226	356	NA	289	213	170	337	346	380	432	268	272
3. Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.08	\$ 0.08
3a. Avg. minutes of use			420		368							
4. Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 17.04	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76
4a. SD Discount (30% over \$20)									0.84			
5. CALC	\$6.00	\$6.00	\$4.69	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$5.19	\$6.00	\$5.27	\$6.00
6. EAS and Zone Chgs. (Note 3)	\$0.10	\$0.34		\$0.15	0.32	\$1.17	\$1.35	\$3.06			\$0.68	\$0.80
7. Total Measured Revenue (1+4+5+6)	\$ 41.34	\$ 63.57	\$ 41.29	\$ 62.51	\$ 43.72	\$ 40.62	\$ 64.49	\$ 51.28	\$ 51.58	\$ 43.52	\$ 51.72	\$ 47.19
Measured Access Line Cost:												
8. Monthly Recurring Measured Cost	\$ 22.27	\$ 20.17	\$ 18.35	\$ 28.14	\$ 32.14	\$ 19.59	\$ 26.86	\$ 17.46	\$ 23.69	\$ 15.39	\$ 27.48	\$15.16
9. Usage cost per message	\$0.01422	\$0.01588	NA	\$0.01431	0.01374	\$0.01381	\$0.01413	\$0.00611	\$0.01298	\$0.01314	\$0.01519	\$0.00580
9a. Usage cost, first minute			\$0.00694									
9b. Usage cost, add'l minutes			\$0.00694									
10. Average Cost of Usage (9*2)	\$ 3.21	\$ 5.65	\$ 2.91	\$ 4.14	\$ 2.93	\$ 2.35	\$ 4.76	\$ 2.11	\$ 4.93	\$ 5.68	\$ 4.07	\$ 1.58
11. Total Measured Cost	\$ 25.48	\$ 25.82	\$ 21.26	\$ 32.28	\$ 35.07	\$ 21.94	\$ 31.62	\$ 19.57	\$ 28.62	\$ 21.07	\$ 31.55	\$ 16.74
12. Rate Divided by Cost (7/11)	162.22%	246.17%	194.17%	193.68%	124.68%	185.16%	203.94%	261.98%	180.21%	206.58%	163.93%	281.94%

Note 1: Costs are TSLRIC, Economic Life, except IA and UT which are TSLRIC, Prescribed Life

Note 2: Rate is tariffed price. A weighted avg. is used in states with multiple rate groups (i.e., ID (S), MN, NM).

Note 3: Weighted average Zone & non-optional EAS billed in addition to the access line on PALs.

* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.

** Iowa usage rate is \$.03 per minute. Montana includes proposed \$.08 per message price increase from \$.01 per minute.

*** WA, ND, ID(N) not included because Basic PAL message/measured rated service is not offered or proposed at this time.

**** Line (1) above is full resale price and excludes any call allowance.

U S WEST Communications, Inc.

Prepared For New Services Price Test

Smart PAL - Usage Rated

Costs are TSLRIC (See Note 1)

	AZ	CO	IA **	ID(S)	MT	NE	NM	OR	SD	UT	MN*	WY
Measured Access Line Revenue:												
1. Recurring Revenue (Note 1)	\$ 19.19	\$ 21.06	\$ 30.50	\$ 34.98	\$ 22.57	\$ 27.26	\$ 25.01	\$ 20.74	\$ 26.54	\$ 15.59	\$ 35.35	\$ 25.93
2. Average number of messages	226	356	219	289	213	170	337	346	380	432	268	272
3. Usage Rate per message **	\$ 0.08	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.08	\$ 0.06	\$ 0.08	\$ 0.07	\$ 0.06	\$ 0.06	\$ 0.080	\$ 0.08
3a. Iowa avg. minutes of use			420									
4. Average Usage Revenue	\$ 18.08	\$ 39.16	\$ 12.60	\$ 26.01	\$ 17.04	\$ 10.20	\$ 26.96	\$ 24.22	\$ 22.80	\$ 23.76	\$ 21.44	\$ 21.76
4a. SD Discount (30% over \$20)									\$0.84			
5. CALC	\$ 6.00	\$ 6.00	\$ 4.69	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 5.19	\$ 6.00	\$ 5.27	\$ 6.00
6. EAS and Zone Chgs. (Note 3)	\$ 0.10	\$ 0.34		\$ 0.15	\$ 0.32	\$ 1.17	\$ 1.35	\$ 3.06			\$ 0.68	\$ 0.80
7. Total Measured Revenue(1+4+5+6)	\$ 43.37	\$ 66.56	\$ 47.79	\$ 67.14	\$ 45.93	\$ 44.63	\$ 59.32	\$ 54.02	\$ 55.37	\$ 45.35	\$ 62.74	\$ 54.49
Measured Access Line Cost:												
8. Monthly Recurring Measured Cost	\$ 24.85	\$ 23.96	\$ 22.86	\$ 32.02	\$ 35.46	\$ 22.82	\$ 29.51	\$ 20.12	\$ 27.35	\$ 17.73	\$ 30.55	\$ 20.66
9. Usage cost per message **	\$0.01422	\$0.01588	NA	\$0.01431	\$0.01374	\$0.01381	\$0.01413	\$0.00611	\$0.01298	\$0.01314	\$0.01519	\$0.01329
9a. Usage cost per minute			\$0.00694									
10. Average Cost of Usage (9*2)	\$ 3.21	\$ 5.65	\$ 2.91	\$ 4.14	\$ 2.93	\$ 2.35	\$ 4.76	\$ 2.11	\$ 4.93	\$ 5.68	\$ 4.07	\$ 3.61
11. Total Measured Cost	\$ 28.06	\$ 29.61	\$ 25.77	\$ 36.16	\$ 38.39	\$ 25.17	\$ 34.27	\$ 22.23	\$ 32.28	\$ 23.41	\$ 34.62	\$ 24.27
12. Rate Divided by Cost (7/11)	154.54%	224.76%	185.41%	185.70%	119.65%	177.33%	173.09%	242.96%	171.52%	193.75%	181.22%	224.47%

Note 1: Costs are TSLRIC, Economic Life, except IA and UT which are TSLRIC, Prescribed Life.

Note 2: Line 1 is trifled rate. An avg. price is used in those states with multiple rate groups. The avg. price is based on the percentage that the B-PAL weighted avg. is greater than its base rate price.

Note 3: Weighted average Zone & non-optimal EAS billed in addition to the access line on PALs.

* Minnesota average calls per month of 758 per coin line cost study have been adjusted downward to account for the introduction of a flat Basic PAL and a flat Smart PAL. The 268 call level is the approximate economic point at which a measured subscriber would switch from message rated service to flat service.

** Iowa usage is \$.03 per minute. Iowa cost is also stated on a per minute basis.

*** WA, ND, ID(N) not included because Smart PAL message rated service is not offered or proposed at this time.

EXHIBIT F

QWEST EMPLOYEES INVITED TO AND/OR ATTENDING NST MEETINGS

Last Name	First	Title	Department
Anastasi	David	Vice President & General Manager	Public Services (Payphone)
Anderl	Lisa	Attorney - State Regulatory	Legal
Blancarte	Michael	Manager	Operator & Information Services
Burns	Randy	Senior Finance Analyst	Finance
Champagne	Kelly	1+ Equal Access Product Manager	Mass Markets
Chesley	Gretchen	Product Analyst	Mass Markets
Conway	Mary	Manager - Part 64	Finance
Couture	Bob	Regulatory Support Manager (supporting Public Services)	Markets Regulatory
Crumling	Mike	Executive Director - Federal Regulatory	Public Policy
Culp	Wayne	Director - State Finance	Finance
Cushman	Jim	Manager - Contract & Pricing Integration	Markets Regulatory
Dennis	Steve	Manager - Marketing	Public Services
Dias	Claudette	Pricing Analyst - Federal Initiatives	Interexchange Carrier
Dienst	Joan	Project Manager	Capacity Provisioning
Eddy	Jan	Manage Operations Support Delivery	Public Services
Fyke	Tim	Attorney - Mass Markets	Legal
Gabrielson	Glen	Executive Director	Markets Regulatory
Gardner	Jamie	Manager - Finance	Public Services
Givens	Sara	Operations Manager	Public Services
Griffith	Karen	Finance Director	Public Services
Groh	Marti	Staff Manager - Sales Operations	Mass Markets
Hannon	Jim	Attorney - FCC	Legal
Hanses	Mark	Product Channel Management Manager	Public Services
Jenson	Merlin	Director	Markets Regulatory
Jones	Jeff	Product Manager	Mass Markets
Kirk	Ellen	Lead Marketing Professional	Mass Markets
Kure	John	Director - Public Policy	Public Policy
Lanksbury	Dan	Director - Operations	Public Services
Lopez	Sara	Supervisor - Separations	Finance
Lynch	Mike	Director	Operator & Information Services
Manville	Dave	Manager - Marketing	Public Services
McGuane	Carol	Regulatory Support Specialist	Markets Regulatory
Menear	Larri	Manager - Marketing	Public Services
Mertz	Harry	Compliance Manager (supporting Public Services)	Markets
Moser	Wendy	Attorney - State Regulatory	Legal
Nugent	BB	Executive Director - Federal Regulatory	Public Policy
Olson	Brad	PAL Product Manager	Interconnect Services
Pawlik	Sue	Issues Manager - FCC	Public Policy
Pearson	Brent	Data Management	Public Services
Poole	Dan	Attorney - FCC	Legal
Pyle	Tina	Director - Public Policy	Media Group
Scheuing	Matt	Assistant V.P. - Marketing	Public Services
Sharkey	Jerry	Supervisor - Part 64	Finance
Simpson	Lori	Compliance Manager	Network Programs & Operations
Smith	Greg	Issues Manager - FCC	Public Policy
Stafford	Elridge	Executive Director - Federal Regulatory	Public Policy
Terry	Robin	Manager - Public Policy	U S WEST Long Distance
Thompson	Jerry	Executive Director - Service Cost Information	Markets Regulatory
Tomlinson	Sondra	Attorney - FCC	Legal
Weiss	Roger	Project Manager Marketing - New Product Development	Mass Markets
Whaley	Mike	Manager - Technical Regulatory	Capacity Provisioning
Wilcox	Barbara	Director - Product and Market Issues	Markets Regulatory
Wong	Karen	Manager - Marketing	Public Services
Wybenga	Mary	Issues Manager - FCC	Public Policy

QWEST NST MEETINGS AND ATTENDEES

Last Name	First	4/8/1997 Mtg. (8:00a PT)		4/10/1997 Mtg. (7:00a PT)		4/11/1997 Mtg. (7:30a PT)		5/7/1997 Mtg. (9:00a PT)	
		Invited	Attended	Invited	Attended	Invited	Attended	Invited	Attended
Anastasi	David	cc		cc	y	cc			
Anderl	Lisa	y	y	y	y	y	y	y	y
Blancarte	Michael	y							
Burns	Randy		y						
Champagne	Kelly	cc							
Chesley	Gretchen								y
Conway	Mary	cc							
Couture	Bob	y	y	y		cc		y	y
Crumling	Mike	y		y		y			
Culp	Wayne	cc							
Cushman	Jim								
Dennis	Steve	cc							
Dias	Claudette	cc							
Dienst	Joan	y							
Eddy	Jan	cc							
Fyke	Tim	cc							
Gabrielson	Glen	y		y		y			
Gardner	Jamie				y				
Givens	Sara	cc							
Griffith	Karen	y		y	y	y	y		
Groh	Marti	cc							
Hannon	Jim				y	y	y	y	
Hanses	Mark	cc							
Jenson	Merlin	y	y	y	y	y	y		
Jones	Jeff							y	y
Kirk	Ellen	cc							
Kure	John	cc		cc		cc		y	
Lanksbury	Dan	y	y	y	y	y	y	cc	
Lopez	Sara	cc	y						
Lynch	Mike	cc							
Manville	Dave	cc							
McGuane	Carol	cc	y		y		y	y	y
Menear	Larri	y		y	y	y			
Mertz	Harry	y	y	y		y	y		
Moser	Wendy	y		cc		cc			
Nugent	BB	y	y	y	y	y		y	
Olson	Brad	y	y	y	y	y	y	y	y
Pawlik	Sue	cc	y		y			y	
Pearson	Brent	y	y	y	y	y	y		
Poole	Dan	y	y	y		y			
Pyle	Tina	y							
Scheuing	Matt	cc							
Sharkey	Jerry	y	y	y		y	y		
Simpson	Lori	cc							
Smith	Greg								y
Stafford	Elridge	cc			y				
Terry	Robin	cc							
Thompson	Jerry	cc	y			cc			
Tomlinson	Sondra	y		y	y	y	y		
Weiss	Roger	y							
Whaley	Mike	cc							
Wilcox	Barbara	y		cc	y	y	y	y	y
Wong	Karen	y		y	y	y			
Wybenga	Mary	y		cc		cc			

Legend: y - Yes, cc - copied to

