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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,<br><br>Complainant,<br><br>v.<br><br>U S WEST COMMUNICATIONS, INC.,<br><br>Respondent. | DOCKET NO. UT-930957 |
| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,<br><br>Complainant,<br><br>v.<br><br>U S WEST COMMUNICATIONS, INC.,<br><br>Respondent. | DOCKET NO. UT-931055 |
| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,<br><br>Complainant,<br><br>v.<br><br>U S WEST COMMUNICATIONS, INC.,<br><br>Respondent. | DOCKET NO. UT-931058<br><br>FOURTH SUPPLEMENTAL ORDER REJECTING TARIFF FILINGS AND AUTHORIZING REFILING |

## *SUMMARY*

**PROCEEDINGS**: On August 11, 1993, in Docket No. UT-930957, U S WEST Communications, Inc. (U S WEST or company) filed tariff revisions designed to reduce rates for Rate Groups 2 and 3 Stand-By Line and Complex Flat exchange access lines, and revise the free call allowance provided for Directory Assistance and increase the rate for billable Directory Assistance calls.

On August 31, 1993, in Docket No. UT-931055, U S WEST filed Advice No. 2436T, a refiling of Advice No. 2412T which was withdrawn on August 13, 1993. These tariff revisions are designed to restructure the services associated with Terminal Loops, Remote

Central Office Service, Tie Lines, Exchange Service, and Interoffice Mileage, into new, comparable service offerings in the Private Line Transport Services Tariff, and revise the Simple/Complex business service flat rate structure.[1]

On August 31, 1993, in Docket No. UT-931058, U S WEST filed Advice No. 2435T, a refiling of Advice No. 2411T which was withdrawn August 13, 1993. These tariff revisions are designed to restructure the Private Line Transport Services Tariff.

The company offers these tariff revision proposals as a "revenue neutral" filing package under its current alternative form of regulation (AFOR), approved in the Fourth Supplemental Order in consolidated Docket Nos. U-89-2698-F and U-89-3245-P.[2] The proposed changes in Advice No. 2429T increase Directory Assistance rates by $7,550,188. The proposed terminal loop changes in Advice No. 2436T increase rates by $11,061,354. This proposed revenue increase of $18,611,542, when combined with the proposed $17,541,075 revenue decrease from reducing the simple/complex business line rates in Advice No. 2436T, results in a net annual revenue effect of $1,070,467.[3]

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[1] Terminal loop service, or "term loops", is a generic description of several service offerings contained within U S WEST's General Exchange Tariff, WN U-24.

[2] As provided in paragraph 10 of the AFOR Settlement Agreement, U S WEST can file with the Commission for rate changes as follows:

> Price list changes, changes to the universal service fund increment to carrier access charges, changes to the lifeline tariff additive, municipal tax changes, rate changes within an approved tariff band, revenue neutral filings, and new service filings are permitted. Traditional miscellaneous filings with annual revenue effects of less than $950,000 each, which is less than a .08% rate of return impact, that are made for such reasons as to update a tariff to cover current cost, or correct a tariff anomaly, are also permitted subject to the limitations in Paragraph 9. * * *

[3] The annual revenue impact differs from the amount originally calculated by the company as a result of changes ordered by the Commission in the Twenty-First Supplemental Order Distributing Undisputed 1992 Excess Revenues Under the Alternative Form of Regulation, Docket Nos. U-89-2698-F and U-89-3245-P, November 15, 1993.

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The respondent filed the tariff revisions in Dockets Nos. UT-930957, UT-931055, and UT-931058 with stated effective dates of September 30, 1993. The Commission suspended operation of the tariff revisions by order dated September 29, 1993. On March 7, 1994, the Commission consolidated these matters and entered an Order Instituting Investigation.

On April 8, 1994, the respondent filed a motion for a directed settlement. Following strong opposition from the parties, the company filed a reply in which it agreed there would be nothing to gain from negotiating further under the circumstances. U S WEST then proceeded to litigate the issues. Accordingly, the Commission did not rule on the motion, and considers that the company constructively withdrew its motion. Hearings were scheduled and the parties presented their evidence on the issues.

The parties filed simultaneous briefs with the Commission on July 29, 1994. All parties waived an initial order and agreed to have the matter directly submitted to the Commission for entry of a final order. The company waived the suspension date to September 16, 1994.

**HEARINGS**: Administrative Law Judge Elmer E. Canfield held a prehearing conference on April 11, 1994, followed by hearings on May 2, 3, and 4, and June 27, 29, and 30, 1994, all at Olympia, Washington. Hearings to receive testimony from the public were conducted on June 28, in Kent, and July 1, 1994, in Seattle.

**APPEARANCES**: The company was represented by Edward T. Shaw and Molly Hastings, attorneys, Seattle; Commission Staff by Sally Johnston, Greg Trautman, Steve Smith and Jeff Goltz, assistant attorneys general, Olympia; the public by Don Trotter, assistant attorney general, Public Counsel Section, Seattle; Intervenors appeared as follows: State of Washington Department of Information Services (DIS) by Roselyn Marcus and Ann Cox, assistant attorneys general, Olympia; Washington State School Directors' Association (WSSDA) and The Evergreen State College (TESC) by Jan Frickelton, assistant attorney general, Olympia; Association of Washington Cities by Robert E. Mack and John Nettleton, attorneys, Tacoma; State of Washington Department of Social and Health Services (DSHS) by Lianne Malloy, assistant attorney general, Olympia; King County Computer and Communication Services Division (CCS) by Rose Dembo for Robert Stier, deputy prosecuting attorney, Seattle; City of Bellevue by David E. Kahn and Carol S. Arnold, attorneys, Bellevue; Yakima County by Ronald S. Zirkle, deputy prosecuting attorney, Yakima; TRACER and TCA (Puget Sound Chapter) by Arthur A. Butler, attorney, Seattle; Washington Independent Telephone Association (WITA), Richard A. Finnigan, attorney, Tacoma; MetroNet Services Corporation, MCI Telecommunications Corporation, and Access Transmission Services by Brooks E. Harlow, attorney, Seattle; and Digital Direct of Seattle, Inc., and TCG Seattle by Gregory J. Kopta, attorney, Seattle. Intervenor GTE Northwest Incorporated did not appear.

**COMMISSION**: The Commission accepts that terminal loop services are functionally and technically equivalent to private line services and should be priced the same. However, the company did not establish its proposed tariff revisions to be fair, just, reasonable, and sufficient. The Commission rejects the cost studies and tariff revisions submitted by the company in support of its terminal loop proposals and orders the company to refile revised tariffs with new cost studies by May 1, 1995, to be effective July 1, 1995. The Commission will consider the phase-in of rates over a reasonable period, depending upon the magnitude of the indicated rate increase. The terminal loop services are ultimately to be merged into the private line tariff at the end of the phase-in period.

The Commission approves a $.10 per billable call rate increase for Directory Assistance. The Commission rejects the company's proposal to eliminate the free call allowance for businesses and to reduce to one the residential free call allowance. The charge for Directory Assistance will be $.35 per call after two free calls per month for both residence and business customers. The company is to refile Directory Assistance tariff revisions.

The Commission approves the company's proposed simple/complex line rate restructure and the company's proposed complex line rate reductions. The company is ordered to refile the revised complex line tariff.

## *MEMORANDUM*

### I. Terminal Loop Proposal

A terminal loop consists of network facilities within a Local Access Transport Area (LATA) in a central office service area which provide various services to customer premises; they include tie lines, off premises extensions, and remote central office service. Tie Lines are facilities that allow a subscriber to connect two switching systems together without the use of central office switched trunks. Extension Service provides calling capability at locations apart from the primary service location, within the same exchange. Remote Central Office Service is exchange dial tone service furnished from a central office other than the central office from which a customer would normally be served.

The company identifies costs for terminal loop service as including three primary elements: a Network Access Channel (NAC), Channel Performance (CP), and Transport Mileage. As explained by U S WEST witness Geraldine G. Santos-Rach, director/product cost specialist, the cost for a NAC includes the cost for the loop, the service drop, main distribution frame connecting equipment, and billing and collection cost elements. She defined Channel Performance as the "conditioning" of the NAC to meet specific transmission and signaling specifications, and identified costs for CP to include capital and operating costs associated with the additional equipment over and above a basic NAC to provide the specialized signaling and transmission functions requested by the customer. The company argues that an averaged CP charge must be applied to every NAC. Mileage rates are charged when interoffice facilities are required to provide dedicated services. Interoffice transport includes the capital and operating costs for channel termination, circuit line haul and facility line haul equipment, as well as other expenses such as billing.

## A. Tariff Issues

### 1. U S WEST

The company argues that terminal loop services are currently priced below their costs. In this filing, it proposes to raise terminal loop rates to cover costs, and merge the services into the Private Line Transport Service tariff. Company witness Gary Rees, director of product and market issues-private line and wireless, offers as other reasons for the proposal: that the company wishes to eliminate prices that are not consistent with functional and technically equivalent services; that U S WEST wants a rate structure that fits the manner in which the product is provisioned and costs are incurred; and that it would like to establish a rate structure which is consistent throughout U S WEST's service territory.

The company argues that terminal loops are functionally and technically equivalent to private line services and should be priced the same. It plans to convert affected customers to a combination of the necessary NACs, appropriate Channel Performance rates, and Transport Mileage rates required to provide identical service. It proposes to convert the existing terminal loop customers to the rates approved by the Commission in 1987 for private line services.[4] Following review by Commission Staff, U S WEST made some correction of errors regarding CP and D4 channel plug costs; the company asks the Commission to accept its cost studies and approve its proposed rates.

The company proposes to remove Terminal Loops, Tie Lines, Extension Service, Remote Central Office Service, and Mileage Rates from the Exchange and Networks Services tariff, and to convert customers to the same services within the Private Line Transport

[4] Third Supplemental Order on Stipulation of Parties, Docket Nos. U-87-796-T and U-87-799-T, February 1, 1988.

Service (PLTS) tariff. Mr. Rees argues that the terminal loop services are, in fact, private line transport services and should be purchased from the PLTS tariff where rates are above long-run incremental costs (LRIC). The company points out that large business sector customers fled the public switched network in favor of private network capabilities and have enjoyed the luxury of purchasing limited terminal loop network services at prices substantially below their costs, with such services being subsidized by customers who remained fully on the public switched network. U S WEST proposes to correct these pricing "anomalies" by its proposed tariff revisions.

### 2. Commission Staff

Commission Staff urges the Commission to reject the company's request to raise terminal loop rates. Staff notes that extension and tie line services have been discrete services since at least 1961 and that customers have relied on these services to design their networks and make equipment investment decisions. Staff cautions against the company's proposed "piece-meal approach" used in this filing. As set forth below, Staff argues that the company's terminal loop request should be denied for a number of other reasons.

First, the company failed to perform a cost study for terminal loops. Commission Staff argues that the cost study relied on by the company was for private line circuits in which the company included terminal loop circuits which therefore does not produce reasonable estimates of costs for terminal loops. Accordingly, Staff argues that there is no evidence that extension service and tie lines are not presently meeting their LRIC. Absent an appropriate study, Staff argues that the question of whether terminal loops and private lines have different costs cannot be answered.

Second, Commission Staff argues that the company erroneously assumed in its cost study that all terminal loops require Channel Performance. Staff argues that "line testing" should not be considered as CP and that customers who do not require CP should not be charged for it.

Third, Staff takes exception with the company's use of an "average fill" factor for its Network Access Channel cost estimate in the cost study; it argues that this overstates the private line cost estimate. It points out that the company should have used an "objective fill" factor.

Fourth, Commission Staff argues that in view of decreased mileage costs since private line transport prices were established, the company should not be allowed to charge the higher private line mileage rates for terminal loops interoffice transport.

Fifth, Commission Staff argues that the company's estimates of non-recurring terminal loop costs are subjective and unreasonable. It also points to problems with the company's cost estimates for initial and subsequent circuit installations ordered at the same time.

Sixth, Commission Staff urges the Commission to reject the use of a "functional and technical equivalence" criterion to justify elimination of terminal loops. Staff witness Thomas L. Spinks points out that the company did not provide a clear definition of functional equivalence. Staff argues the adoption of such a concept could be far-reaching, and that it is not in the public interest to allow the company to eliminate some services on the basis of "ad hoc determinations of equivalence".

### 3. Public Counsel

Public Counsel agrees with the company that terminal loops should be considered private lines, and recommends that the Commission accept the company's filing as to terminal loop line rates, interoffice mileage, and non-recurring charges. However, Public Counsel recommends that the Commission reject Channel Performance rates until the company demonstrates that its provisioning of terminal loops is consistent with proper costing methodologies for CP, and that the resulting costs and rates are reasonable. Public Counsel argues that the company has failed its burden to demonstrate that its cost study examines the least cost manner of provisioning CP on a terminal loop circuit. It thus urges rejection of the CP portion of the proposal.

To the extent consistent with its other recommendations, Public Counsel agrees with the company's proposed private line tariff revisions.

### 4. Department of Information Services/City of Bellevue

The Department of Information Services (DIS) and City of Bellevue (Bellevue) oppose the company's terminal loop proposals. They argue that the terminal loop exchange services in question are not functionally and technically equivalent to private line services. While private line services are exclusively interoffice services, they point out that the exchange services are both interoffice (40%) and intraoffice (60%). They also point out the company's failure to provide a clear definition of "functional equivalence." They argue that it is not in the public interest to allow a company the flexibility to arbitrarily determine whether two services are equivalent, and then allow the company to eliminate the lower cost service based on the arbitrary determination. If the price for an exchange service is below cost, DIS/Bellevue argue that the company should provide a focused cost study showing that the particular service is priced below cost.

DIS/Bellevue argue that the company did not perform cost studies for the exchange services in question, but instead offered flawed, surrogate cost estimates which should be rejected. They oppose the company's use of an average fill factor to compute the cost of a terminal loop. DIS/Bellevue witness Thomas M. Zepp, an economist, urges that the Network Access Channel cost estimate based on objective fill is the relevant measure of the price floor, and that the current $6.00 loop price, when compared to the appropriate price floor (based on objective fill), is above cost. Dr. Zepp adds that the cost study is also flawed due to the use of inappropriate cost of money and depreciation rates.

DIS/Bellevue also urge rejection of the Channel Performance cost study due to a "major conceptual flaw" in the foundation of the cost study method and three types of double counting as identified by their witnesses Dr. Zepp and Richard A. Chandler, telecommunications consultant. Asserting that CP is supposed to recover the incremental cost, if any, of providing a special circuit instead of a plain old telephone service (POTS) NAC, DIS/Bellevue argue that a proper calculation of costs requires knowledge of the minimum cost to provide the special circuit instead of the POTS circuit. They argue that U S WEST did not compute the least cost method of providing the service, but instead computed that cost by assuming the POTS circuit exists and then computing the additional cost to transform the POTS circuit into special circuit service. They allege that double counting, which involved circuits provisioned with pair gain systems and line testing costs, causes CP costs to be overstated.

DIS/Bellevue allege that the company's current charges for mileage paid by exchange services cover the U S WEST estimates of average fill costs and make a contribution to overhead and profit. If the Commission does not reject the company's filing, they urge the Commission to limit the ultimate rates for mileage paid by exchange customers to the level now charged to E-911 customers.

Though recommending the Commission reject the company's proposal, DIS/Bellevue argue that if U S WEST's filing is approved the Commission should: (1) grandfather existing customers for a minimum of five years; (2) set cost-based rates; and (3) offset terminal loop rate increases by reducing rates on complex lines, Network Access Registers (NARs), Digital Switched Services (DSS) trunks, hotel trunks, toll access lines, and stand-by lines.

### 5. <u>Association of Washington Cities</u>

The Association of Washington Cities (AWC) joins in the arguments of DIS/Bellevue in opposing the U S WEST proposal and urges the Commission to reject the filings,[5] citing the significant rate shock the cities will face as a result of the substantial price increases proposed by U S WEST.[6] In addition, AWC argues that while business customers may be able to pass on the increased costs of their utility services, cities either would be forced to reduce the level of their other services or attempt to pass on the sudden rate increase through higher taxes. Finally, AWC argues that the filing is unfair and unjust given the substantial investments made by cities in reliance upon U S WEST's marketing representations that terminal loop services would provide them with lower long-term operating costs.

### 6. <u>The Evergreen State College</u>

The Evergreen State College (TESC) recommends that the Commission reject the company's terminal loop proposal. Its witness, Donna Johnson, telecommunications analyst, points to its past and pending budget cuts and urges the Commission to consider the adverse financial impact the company's proposed rate increases will have on the college. Its yearly increase for the affected services will be $12,653, offset only by $936 in reduced business exchange line charges.

### 7. <u>Washington State School Directors Association</u>

Washington State School Directors Association (WSSDA) argues that the company's proposed tariff conversion severely impacts school districts, and urges the Commission to reject the company proposal. Dr. Larry Swift, WSSDA executive director, identified 48 school districts that face a total annual increase of approximately $1,948,543. Seven districts expect annual increases of over $100,000 each, the largest of which is Seattle with an increase of $456,000. This almost $2 million total increase is offset only by a reduction of approximately $74,000 in business exchange line charges. WSSDA also notes an approximate 300% increase in installation costs. It argues that the school districts' budgeting process does not accommodate sudden price increases of such magnitude.

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[5] The Association of Washington Cities (AWC) represents 270 Washington cities.

[6] For an estimate of the annual cost impact on some of the cities, AWC provided the following estimates: Seattle $484,890; Tacoma $128,790; Kent $54,000; Puyallup $48,000; and Vancouver $32,676.

**8. TRACER/TCA**

Telecommunications Ratepayers Association for Cost-based and Equitable Rates (TRACER) and Tele-Communications Association-Puget Sound Chapter (TCA) oppose the company's terminal loop proposals, making arguments similar to those of Commission Staff, Public Counsel, and DIS/Bellevue. TRACER/TCA argue that: (1) U S WEST's cost studies are flawed and should be rejected; (2) the current terminal loop mileage charges cover costs and produce a reasonable level of contribution; and (3) U S WEST has failed to demonstrate that current non-recurring charges for terminal loop services are inappropriate.

Also consistent with other parties' positions, TRACER/TCA urge Commission rejection of the company's arguments of "functional and technical equivalence"; a rate structure designed to fit the manner in which the product is provisioned and costs are incurred; and consistent rate structures throughout U S WEST's territory. Additionally, TRACER/TCA agree with Mr. Spinks and Dr. Zepp that it is not necessary to eliminate terminal loop services in order to avoid undue discrimination against new competitors of U S WEST who may want to offer services similar to extension and tie line services -- they argue that if there is such a problem, prices charged to the competitor could be reduced or the use-and-user restriction in the terminal loop tariff could be eliminated.

**9. Department of Social and Health Services**

The Department of Social and Health Services (DSHS) opposes the U S WEST proposals. DSHS argues that the company failed to justify its request -- that U S WEST did not do a cost study specific to the services at issue. DSHS urges the Commission to reject the filings.

**10. Washington Independent Telephone Association**

The Washington Independent Telephone Association (WITA) argues that the company has adequately demonstrated that terminal loop services are priced below cost, and that U S WEST should be allowed to terminate such services and convert existing circuits to the Private Line Transport Service tariff as proposed by the company. It supports U S WEST's cost study as providing a reasonable basis for the company's proposals.

**B. Rate Shock Issue**

DIS/Bellevue urge the Commission to consider the issue of rate shock in this proceeding. David Offner, Bellevue assistant finance director, testified on the impact to the city of the company's proposed terminal loop rate increases. Under the company's proposal, Bellevue's annual terminal loop cost will increase from approximately $75,000 to $232,000, a 311% increase. After factoring in the offsetting reductions in complex business line rates, the city will still have a net terminal loop rate increase of approximately 300%.

If the Commission approves the company's filing, DIS/Bellevue recommend that the Commission "grandfather" existing exchange services customers at existing rates for a five year period. The Association of Washington Cities points out the large increases faced by the cities and joins the DIS/Bellevue "grandfathering" argument.

The Department of Social and Health Services also supports "grandfathering" rates of existing users for a minimum of five years.

WSSDA argues for "grandfathering" current services for current customers or delaying implementation of price increases for at least three years.

TESC urges the Commission to "grandfather" present services permanently, or at least through June 30, 1997, the end of the 1995-97 biennium budget cycle.

WITA supports a one year delay in the effective date to allow affected parties time to explore options and/or address budgetary matters.

Public Counsel opposes the "grandfathering" of existing rates and argues for a three year phase-in of increased terminal loop rates. Public Counsel cites the long history of the treatment of terminal loops as a separate service and the reasonable reliance of customers on these services as support for its proposal.

Recognizing that large business sector customers will experience significant price increases for terminal loop services, the company, in its rebuttal testimony, proposed to phase-in the conversion of terminal loop services to private lines over a two-phase period beginning January 1, 1995, and continuing to July 1, 1995. The company points out that these customers have had notice of the price increases for some time, and argues against further delaying the increases or "grandfathering" existing customers.

### C. Rate Spread Issues

If the Commission approves an increase in terminal loop rates, DIS/Bellevue recommend, instead of the company's proposed simple/complex business line restructure, that the Commission reduce rates for other services used by terminal loop customers, specifically complex lines, NARs, DSS trunks, hotel trunks, toll access lines and standby lines. They argue that this is a more appropriate attempt to keep the revenue impact as revenue neutral for individual customers as possible.

TRACER/TCA submit that an appropriate offset for the increase in terminal loop rates would be one that minimizes any net negative impacts on the customers facing these increases. They agree with the DIS/Bellevue recommendation, particularly the recommendation that any additional revenue resulting from increases to terminal loop prices be used to reduce prices for complex business and trunk-equivalent services.

### D. Commission Discussion and Decision on Terminal Loops

The parties disagreed widely on the issue of whether terminal loop services are functionally and technically equivalent to private line services. The Commission believes the company's witnesses provided poor evidentiary support for its contentions of functional and technical equivalence; at a minimum, the company should have presented expert testimony on the issue of technical equivalence.

Nonetheless, upon a thorough review of all the record evidence on this issue, the Commission finds no basis upon which it could refute the company's proposition. Therefore, the Commission accepts that terminal loops have been shown to be functionally and technically equivalent to private line services -- it would appear, to borrow a time-worn aphorism, "A line is a line is a line." Both services are dedicated, non-switched, point-to-point services. The company designs and provisions the services in the same manner. Terminal loops and their counterpart private lines perform the same function. Artificial jurisdictional differences in the services does not change the fact that the services are technically provisioned in the same manner and provide the same functionality.

The Commission agrees with the company's proposition that, absent any public policy concerns, tariffed services that are functionally and technically equivalent should generally be priced the same.[7] We further agree that the price of the service should cover long-run incremental costs, plus a reasonable contribution. However, acknowledging technical and functional equivalence does not resolve the more important issues of costing and pricing.

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[7] See RCW 80.36.170 and 80.36.180. An inconsistency with the company's proposition is its own proposal to differentiate between business and residence customers with respect to the free call allowance for Directory Assistance.

The Commission agrees with Commission Staff and other parties that the company's cost studies on Network Access Channel, Channel Performance, and Transport Mileage were flawed and should be rejected.[8] These studies do not provide the Commission a sufficient basis upon which to set cost-based rates.

First, the company's use of average fill factor for its NAC cost estimate results in an overstatement of the price floor. The Commission rejects the company's argument that by using objective fill to determine a price floor for a specific service would force it to be subsidized by other services in the same product family.[9] U S WEST has not proven that the excess growth spare capacity using an average fill factor is appropriate to include in a long-run incremental cost study. The appropriate price floor is the cost based upon objective fill.[10] This is the measure of cost U S WEST would incur if the company was selling its services at the desired, or objective, level of capacity utilization. The company is directed to perform new cost studies using an objective fill factor.

Second, the Commission also agrees with Dr. Zepp that the company used inappropriate cost of money and depreciation rates in its cost studies.[11] Instead of the 11.5% and 12.4% costs of money used in cost studies in this record, the company is ordered to use

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8 The Commission does not accept U S WEST's argument that questions raised about the cost studies were "irrelevant and insignificant."

9 In Data Request No. DIS 02-015, U S WEST was asked if it agreed that in consolidated Docket Nos. UT-911488, UT-911490, and UT-920252, the company had determined whether its NAC prices exceeded costs by comparing proposed NAC prices for 60 month periods with economic costs computed with objective fill. The company affirmatively responded that it had.

10 During cross examination, the U S WEST cost witness stated that using an objective fill level yields a cost which could be considered a pure price floor; furthermore, if the company were to provide those studies today, it would provide a cost estimate based on both objective and average fill. Additionally, costs based on average fill include an arbitrary allocation of costs for plant that will be used to meet future growth and thus do not belong in the cost estimate used to test if a particular service is below cost.

11 Not only does the Commission object to U S WEST using a different cost of money factor and depreciation parameters than has been authorized for the company, but also points out that it is impossible to compare cost methodologies and results when the inputs and assumptions vary from one cost study to another.

the 10.53% authorized rate of return found to be reasonable in the current AFOR.[12] The Commission further orders the company to use Commission-prescribed depreciation rates rather than rates based on the company's estimated economic lives.[13]

Third, the Commission believes that the Channel Performance cost study is fundamentally flawed. U S WEST failed to demonstrate that its cost study examines the least cost manner of provisioning CP. In addition, questions were raised as to whether all terminal loop customers required channel performance.[14] Customers not requiring CP should not have to pay for it. Therefore, the Commission directs U S WEST to file a CP cost study that demonstrates the company is provisioning the service in a least cost manner and separately identifies the costs of testing.

With respect to the pricing issue, the Commission does not agree that simply charging the higher rate for functionally and technically equivalent services is the appropriate solution. In Docket Nos. U-87-796-T and U-87-799-T, rates were developed for private line services in order to recover access charges paid to independent telephone companies.[15] Terminal loop services provide service within an exchange and should not be required to recover access charges. The company did not establish that charging terminal loop customers the existing private line rates is fair, just, and reasonable.

The Commission directs the company to refile cost studies for Network Access Channel, Channel Performance, and Transport Mileage using an objective fill factor, the Commission authorized rate of return, and the Commission-prescribed depreciation rates.

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[12] U S WEST is also ordered to use the hypothetical capital structure that was used to develop the authorized return of 10.53% in consolidated Docket Nos. U-89-2698-F and U-89-3245-P.

[13] The Commission will address the use by U S WEST of economic lives for developing depreciation life parameters in Docket No. UT-940641, currently pending hearings.

[14] U S WEST argues that all terminal loop designs require access to testing equipment and that channel performance costs include the additional costs due to testing.

[15] The current private line rates for Channel Performance were accepted by the parties and accepted by the Commission as a stipulated settlement in Docket Nos. U-87-796-T and U-87-799. But, U S WEST's cost study methodology for estimating CP costs was not specifically approved by the Commission, nor agreed to by the parties, in that case.

The Commission directs the company to refile tariff revisions with new cost studies consistent with the above directions. The refiled tariffs should be revenue neutral and incorporate a reduction in certain private line rates to offset the increases to terminal loop services. This includes reductions in the following services: Voice Grade 32 NAC and related Channel Performance rates; Voice Grade 33 NAC and related CP rates; and the private line Transport Mileage rates.[16] Terminal loop services will be merged into the Private Line Transport Service tariff, albeit at lower, cost-based, rates. The company is to refile these tariffs by May 1, 1995, with an effective date 60 days after the filing date.

The Commission points out that it does take factors such as rate shock into consideration. In view of the above actions of the Commission, many of the "grandfathering" suggestions of the parties may have been rendered moot. However, as a part of approving refiled rates in this matter, the Commission may consider a phase-in of rates over a reasonable period of time, depending upon the magnitude of the indicated rate increase. Ultimately, however, the terminal loop services will be eliminated from the exchange tariff and merged into the private line tariff.

## II. Directory Assistance

### A. Tariff Issues

#### 1. U S WEST

Currently, the company charges $.25 for each Directory Assistance (DA) call, after four free calls per month, for both residence and business customers. The company proposes to increase the DA rate from $.25 to $.35 per billable call for both residence and business customers. It proposes to reduce the free call allowance for residence customers from four to one. It also proposes to totally eliminate the free call allowance for business customers.

The company argues that current DA rates do not cover long-run incremental costs. It submitted a DA cost study in support of its proposed tariff revisions. The company argues that the DA rate structure change will minimally affect residence customers since approximately 67% of residential customers make zero to one DA calls per month, and that only 15% make over 4 DA

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[16] Without the new cost information, and the number of customers purchasing similar services from the private line tariff, the Commission is unable to make a specific rate design proposal. As guidance to developing the rate design, the Commission will require that U S WEST minimize the financial impact on the existing terminal loop customers.

calls per month. The company argues that DA is becoming increasingly more competitive and that it is therefore important for DA rates to move closer to covering costs. The company ultimately plans to request that DA rates be increased to $.60 per billable call, but that is not being proposed in this filing.

### 2. Commission Staff

Commission Staff urges the Commission to deny the company's Directory Assistance proposal. It argues that the company's cost study is flawed, making it impossible to determine with certainty the actual DA cost, or what a fair, just, and reasonable rate should be. Staff argues that the study does not reflect realistic future cost savings attributable to ongoing corporate restructuring and technological advances. Staff also points to the company's uncertainty about how the free call allowance fits into the company's $0.60 per call goal. Staff further notes that the company did not consider future demand due to potential call repression one moves to the target rate. Finally, Staff argues that the company's revenue estimate for DA is flawed since it is based on an elasticity estimate from an outdated and erroneous model.

Commission Staff also opposes the company's proposed reduction in the residence free DA calling allowance and proposed elimination of the business free DA calling allowance. Staff takes the position that the ability to obtain telephone numbers is a necessary part of basic local service. Staff notes that in certain circumstances, customers have no other way of obtaining calling information, such as unlisted numbers, changed telephone numbers between directory publications, and instances where directories are not available for one reason or another.

Commission Staff further argues that there is no evidence that Directory Assistance is becoming increasingly competitive. Staff recognizes the potential for DA competition, but not the existence of competition.

Commission Staff recommends that any revision in Directory Assistance rates be done in the context of the pending successor AFOR inquiry and rate rebalancing proceeding where all relevant factors can be considered without the constraints of a "revenue neutral" tariff filing. In such a proceeding, the Commission would be able to consider whether DA should be included in, or charged separate from, basic local service.

### 3. Public Counsel

Public Counsel recommends that the Commission reject the company's proposal to increase Directory Assistance rates and reduce DA service levels. Public Counsel urges that the company's cost study evidence and claim of competition fall short of justifying its DA requests. It argues that the company's cost study measures the wrong costs -- that it measures apparent outdated labor-related technology rather than new DA technologies. Public Counsel further points out that by using 1993 budget figures, the company failed to reflect the cost-reducing effects of the company's corporate restructuring/efficiency/regionalization program.

If the Commission is inclined to accept the company's DA study, Public Counsel argues that the company should be required to produce a cost study analyzing the costs of new technologies and reflecting other relevant and current conditions. Public Counsel also requests that the company be required to update the elasticity factor based on actual experience with the rate increases imposed and make a revenue adjustment in a future filing.

Public Counsel takes exception to the company's claim that the reduction/elimination of the DA free calling allowance will have only a "minimal impact" on customers, referring to the large number of customers who wrote letters opposing the company's proposal. Public Counsel suggests that if the company's proposal is accepted, customers should be allowed to receive each year, free of charge, U S WEST telephone directories of their choice.

### 4. WITA

WITA supports the company's Directory Assistance proposal. It argues that U S WEST has provided ample demonstration that its DA prices are below cost. It urges the Commission to approve the company's proposal to bring its prices closer to cost.

## B. Commission Discussion and Decision on Directory Assistance

Although Commission Staff and Public Counsel raise valid concerns with respect to the Directory Assistance cost study, the Commission believes the company has demonstrated at a minimum that the current DA rates and rate structure are below cost and should be increased. The Commission bases its decision solely on the cost issue and does not give credence to the company's argument that DA is a competitive service.[17] With respect to Commission Staff's recommendation that any changes in the current DA tariff be addressed in an AFOR proceeding, the Commission believes it would not serve any purpose to defer this issue.

The Commission shares some of the DA cost study concerns addressed by Commission Staff and Public Counsel. Specifically, the Commission questions whether new voice response technology, and implementation of the company's corporate restructuring plans, invalidate the current "forward-looking" DA cost study. While U S WEST is currently studying voice response DA technologies for possible future deployment, it stated there are no current plans to deploy this technology. The Commission agrees with the company that it would be premature to require inclusion of this technology as part of the cost study at this time. However, the Commission agrees with Public Counsel that some recognition of cost savings due to the regionalization of service centers should have been accounted for in a long-run cost study. Despite its shortcomings, however, the cost study supports the request to raise DA rates to $.35 per billable call.

The company further seeks to reduce the four free DA call allowance to one call for residential subscribers and to totally eliminate the free call allowance for business subscribers. In that current DA rates are not covering costs, the Commission agrees that the free call allowance should be reduced, however, not to the level proposed by the company.

First, the record does not support the elimination of the business free call allowance. The company has failed to demonstrate why business DA should be treated differently than residential DA. Throughout this case, U S WEST has argued that technically and functionally equivalent services should be priced the same. The Commission concludes that there should be no distinction between the business and residential free call allowance.

Second, the Commission is unwilling to order the full proposed reduction in the free call allowance while the company continues to charge local exchange carriers rates for DA service which are below costs.[18]

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[17] U S WEST conceded that the impetus for its filing at this time is the fact that DA is currently priced below long-run incremental costs.

[18] The record reflects that U S WEST plans to restructure and raise DA rates for local exchange carriers, but as of the date of this Order the Commission is unaware of any rate changes.

Finally, the Commission agrees with the comments received from the public, and reiterated by Public Counsel, that a customer often has no choice but to use directory assistance. Using a telephone directory is not always a viable option. Oftentimes, directories are not current, nor even available, for the area called. The Commission believes that a reduction in the free DA call allowance to two calls per month for both business and residence is supported by the record. The Commission does not like the reduction of services to the public, however minimal, but must accept there are times when such action cannot be avoided.[19]

The Commission puts the company on notice that for any future DA filings the Commission will require certain conditions be considered.[20] First, the company must eliminate its current practice of charging other local exchange carriers a contractual rate for directory assistance that is below costs. While the company argues to raise retail DA rates to cover costs, it continues to charge local exchange carriers prices below costs. Second, the company should consider allowing access to its DA data base under reasonable terms and conditions. The Commission regrets that no party presented this as an option, but will give strong consideration to requiring this of the company as a prerequisite to future DA rate increases.[21]

## III. Complex Line Rate Restructure and Reduction

### A. Tariff Issues

#### 1. U S WEST

The company proposes to revise the simple/complex business service flat rate structure, and reduce rates for Rate Groups 2 and 3 Stand-By Line and Complex Flat exchange access lines as an offset to the increases in other rates involved in these consolidated revenue neutral filings. It argues that business

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[19] The Commission takes this opportunity to note that the company should continue its practice of providing at a minimum two number inquiries per DA call, and should include appropriate language in the revised DA tariffs to formalize this practice.

[20] The company has put the Commission on notice of its intent to make additional DA rate increase filings in the future with an ultimate goal of a $0.60 per billable call rate.

[21] Based on U S WEST's cost study, approximately 77% of the DA costs are attributed to operator and associated costs. Having access to the directory assistance data base under reasonable terms and conditions could allow competitors to provide directory assistance in a different, perhaps more efficient, manner.

exchange line rates are currently priced above costs and that the rate structure is punitive. The company points out that it currently faces local exchange competition in the business services' market, and that additional competitors are poised to enter this market.

Business basic exchange service is categorized as either "simple" or "complex". A business customer that subscribes to four or fewer lines at a single location receives simple service. The service is classified as complex if the business customer has five or more lines at a single location. Currently, when a customer adds the fifth business line, <u>all</u> subscribed business lines are then considered to be complex lines, and the company charges the higher complex line rate for all business lines serving the customer at that location. Although the company eventually wants to eliminate the simple/complex rate structure, it proposes only a first step in this tariff filing. In its tariff revisions, the company proposes to retain the simple rate for the first four lines and to apply the complex rate only for the fifth and subsequent lines.

The company also proposes to reduce the monthly complex line rate from $37.10 to $31.50 for customers in Rate Group 3, and from $32.50 to $31.00 for customers in Rate Group 2. Again, the company feels this is appropriate because the service remains priced well above its long-run incremental costs.

### 2. <u>Commission Staff</u>

Though agreeing that the complex line tariff is in need of restructuring, Commission Staff urges the Commission to deny the proposed restructure in the context of this revenue neutral tariff filing. Staff notes, however, that under the AFOR, U S WEST is free to file for a rate decrease at any time if it so chooses. Staff invites the company to renew the complex line tariff revision as a part of the successor AFOR inquiry.

Commission Staff disagrees with the company's argument that complex line rates should be reduced in order to meet competition. Staff reasons that: (1) there is no current competition for such services; (2) there is no reasonable possibility of such competition arising prior to the time the matter could be resolved through a new AFOR; and (3) U S WEST could petition the Commission for competitive classification of such services if "effective competition" actually existed.

### 3. Public Counsel

Public Counsel recommends the Commission accept the company's proposal to reduce complex line rates and to restructure the simple/complex rates to the extent there are revenue increases available from this revenue neutral filing. At the same time, he points out that the revenue spread proposals of other parties have merit.

### 4. Department of Information Services/City of Bellevue

Though not taking a position on the company's proposal to reduce complex line business rates, DIS and Bellevue urge that any increases in revenue from an increase in terminal loops rates not be used to offset the restructuring and reduction of simple/complex rates.

### 5. Digital Direct of Seattle/TCG Seattle

Digital Direct of Seattle (DDS) and TCG Seattle (TCG) argue that U S WEST has failed to justify its new competitive pricing philosophy, and that U S WEST's claims of competition in the business exchange market are nothing more than "vague, unsupported speculation about the potential emergence of competition." DDS/TCG urge the Commission to reject the company's competitive pricing philosophy as a justification for reducing these rates. TCG witness Gary Ball, manager of tariffs and regulatory analysis, argues that competition, in addition to being legal, must also be technically and economically feasible.

DDS/TCG agree with Staff that unbundling, interconnection, and other prerequisites to effective competition should be considered in a separate proceeding that examines U S WEST's costing and pricing methodologies and their effect on emerging competition on a global, rather than piece-meal, basis.

### 6. TRACER/TCA

TRACER/TCA agree that this is not the appropriate time or proceeding in which to redefine and restructure the company's basic business exchange service tariff. They support a comprehensive review in the successor AFOR inquiry.

### 7. MetroNet Services Corporation

MetroNet Services Corporation (MetroNet) opposes the company's filing, claiming there is no competition for business lines services today other than from re-sellers and re-billers. MetroNet argues that the simple/complex business line restructure is particularly onerous to re-sellers and re-billers and will hinder their competitive position. It argues that the company has not met its burden of proof and has not presented any compelling justification for its proposals. MetroNet further argues that the company's cost studies fail to follow proper imputation principles.

MetroNet objects to the company's use of piecemeal filings. Instead, it argues that the issues in these filings should be deferred to the company's next general rate case or to the successor AFOR inquiry.

### 8. Washington Independent Telephone Association

WITA argues that U S WEST's proposed complex line pricing restructure more accurately reflects the costs of operation and providing service without jeopardizing universal service goals. It argues that the company proposal is in the public interest. WITA also would support further pricing changes, i.e., it argues that prices for Rate Group 1 should be higher than Rate Group 2 and prices for Rate Group 2 should be higher than Rate Group 3.

## B. Commission Discussion and Decision on Complex Line Rates

The Commission agrees with the company that the current complex line tariff should be restructured. The Commission also agrees with the company that the complex line rates should be reduced. The Commission believes that U S WEST is not required to meet the "effective competition" test of RCW 80.36.330 in order to reduce rates. Furthermore, the Commission is not convinced that the public interest would be served by deferring this issue to the successor AFOR inquiry.

The Commission rejects the argument of some intervenors that the proposed complex line rate restructure and reduction would be anti-competitive. First, the proposed complex line rates resulting from the restructure and the rate reduction are substantially above cost.[22] Second, efficient and sustainable economic competition will not result by purposely maintaining a rate structure anomaly such as the current complex line rate structure.[23] The Commission does not believe it is good public

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[22] This assessment is based upon the company's cost study which uses an average fill, depreciation based upon economic lives, and a cost of money factor of 12.4%.

[23] The Commission agrees with TCG/DDS that issues such as unbundling, interconnection, and imputation are essential to fostering an effectively competitive environment. However, the Commission does not believe it is in the public interest to delay the proposed rate decreases until such issues are resolved.

policy, nor sound economic theory, to create, or maintain, an artificial margin within which competitors of U S WEST could operate.[24] This does not serve the public interest and should be avoided, or corrected, whenever possible.

Under current pricing, a customer who buys a fifth business line is "penalized" by having the price for the first four lines increased to the higher complex line rate charged for the fifth and subsequent lines. In this respect, the current complex line tariff serves as a disincentive for small business customers to expand their service beyond four business lines. The Commission approves the company's proposed simple/complex rate restructure. The tariff will reflect that the first four lines would be priced at the simple business rate, and only the fifth and subsequent lines would be priced at the higher complex line rate. The Commission also approves the company's proposal to reduce the complex line rate.

## IV. PUBLIC TESTIMONY

### A. Public Hearings

At the public hearing held on June 28, 1994, fourteen witnesses testified. An additional fourteen witnesses testified at the second public hearing held on July 1, 1994. As discussed below, hundreds of customers also wrote letters.

The public witnesses primarily discussed the complex line restructure issue. Small business owners support the company's restructure proposal. Several of the witnesses pointed out that a customer usually pays less when buying in volume, not more. Small business owners also expressed the belief that terminal loops' users should not be subsidized, but should pay their fair share.

Two witnesses opposed the company's terminal loops proposal. One testified on behalf of a city facing a two hundred-plus percent cost increase under the U S WEST proposal. The other witness was from a county facing a three hundred percent increase. If rates are to be increased, one witness suggested that a phase-in over at least a three year period should be ordered.

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[24] However, the Commission likewise rejects the company's pricing philosophy of offsetting rate reductions to potentially competitive services with rate increases to non-competitive services.

Witnesses also testified on the Directory Assistance proposal. One summed up her feeling by stating, "We should not have the four calls already allowed adulterated to just one and then be charged more for that one." Another noted the need for numbers of new businesses not yet listed in phone books. The witness also pointed to the increased need for Directory Assistance by people such as his disabled sister. He suggested a compromise DA plan be adopted rather than the one proposed by the company.

### B. Ratepayer Letters

In addition to the testimony at the public hearings discussed above, the Commission received hundreds of letters from customers on U S WEST's filings. The letters overwhelmingly opposed the company's proposals. The letter writers voiced their objections to the company's proposals in such terms as: "outrageous", "exorbitant", "devastating", "excessive", "unconscionable", and "shameful".

Letters from small business owners favored the complex line rate restructure. The letters otherwise opposed U S WEST's proposed terminal loop changes. Many customers, such as school districts, cities, and counties, face rate increases of thousands and hundreds-of-thousands of dollars per year.

The letters also urged Commission rejection of U S WEST's Directory Assistance proposal. The letters established that customers consider Directory Assistance to be an important and needed service. Customers need Directory Assistance for a number of reasons, e.g., disabled/sight impaired customers and telephone directories not always available or current. Some ratepayers urged the adoption of some sort of compromise in an attempt to discourage overuse, such as higher charges after reasonable free call allowances.

## V. MISCELLANEOUS MATTERS

As previously stated, the company filed these tariff revisions under the revenue neutrality requirement stated in paragraph 10 of the company's current alternative form of regulation. As a result of our decisions on these tariff filings, the annual revenue impact of converting terminal loop exchange services to private line special access services remains revenue neutral. However, the annual revenue impact due to the Directory

Assistance rate increase and the complex line rate restructure is approximately negative $10,388,096.[25] The Commission is not restricted by the current AFOR to order only revenue neutral outcomes from the company's tariff revision filing.

The Commission takes this opportunity to agree with a point made by Commission Staff on the subject of the complex business line rate reduction and restructure, that the company is free to file for such a decrease on its own motion at any time it so chooses under the company's current AFOR.[26] The Commission encourages the company to rebalance its business rates without seeking revenue increases, particularly from noncompetitive services.

The Commission strongly objects to the company's "packaging" of these tariff revisions as revenue neutral filings under the AFOR. By combining rate increases to captive customers of basic exchange services with rate decreases to customers with competitive service options, the company has compromised the ability of the Commission to respond in a manner which meets its goal of balancing economic efficiency and public interest regulation.

The Commission supports the company's efforts to move to cost-based pricing wherever appropriate, and that support is reflected in our decisions discussed in detail above. Unfortunately, the company's cost studies are premised either upon outdated models or incomplete or inappropriate inputs. And the expert testimony falls short of the type of technical expertise we would expect from a company with a competent management team.

The Commission believes U S WEST is wise to begin to re-think rates for its business exchange services. And in this Order we have expressed our encouragement for the company's filing to restructure those rates without offsetting rate increases. We here reiterate our rejection of the company's philosophy of accomplishing such rate restructuring with rate increases to basic local exchange services. The Commission does not appreciate being put in the position of denying much needed rate reform for

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[25] This figure is the sum of the complex line rate restructure reduction of negative $17,541,075, and the DA rate increase of approximately $7,152,979. The Commission calculated the effect of the DA rate increase using the company's elasticity factor, cost savings based on the company's variable cost estimate (not just the operator expense savings), and an estimate that 70% of residential and business DA calls are billable.

[26] As provided in paragraph 10 of the AFOR, U S WEST may file for rate decreases with no offsetting increases pursuant to RCW 80.04.130.

potentially competitive business services at the expense of captive basic local exchange service customers. The Commission will not look favorably upon any further attempts by the company to use the current AFOR provision in this manner.

Having discussed in detail above all material factual and legal matters inquired into, and having stated its ultimate findings and conclusions, the Commission now makes the following summary. Those portions of the preceding detailed findings and conclusions are incorporated by this reference.

## *FINDINGS OF FACT*

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

2. Respondent U S WEST Communications, Inc., is a telecommunications company engaged in the business of furnishing telephone services within the state of Washington, and, as such, is a public service company subject to regulation by the Washington Utilities and Transportation Commission.

3. On August 11, 1993, in Docket No. UT-930957, U S WEST filed tariff revisions designed to reduce rates for Rate Groups 2 and 3 Stand-By Line and Complex Flat exchange access lines, and revise the free call allowance provided for Directory Assistance and increase the rate for billable Directory Assistance calls. On August 31, 1993, in Docket No. UT-931055, U S WEST filed tariff revisions designed to restructure the services associated with Terminal Loops Rates, Remote Central Office Service, Tie Lines, Extension Service, and Interoffice Mileage, into new, comparable service offerings in the Private Line Transport Services Tariff, and revise the Simple/Complex business service flat rate structure. On August 31, 1993, in Docket No. UT-931058, U S WEST filed tariff revisions designed to restructure the Private Line Transport Services tariff. By orders dated September 29, 1993, the Commission suspended the operation of these proposed tariff revisions and ordered hearings on the filings.

4. On March 7, 1994, the Commission entered an Order Instituting Investigation, and consolidating Docket Nos. UT-930957, UT-931055, and UT-931058 for hearing.

5. Terminal loop services are functionally and technically equivalent to private line services. However, the cost studies on the Network Access Channel, Channel Performance, and Transport Mileage are not sufficient to determine relevant costs and appropriate prices.

6. The Directory Assistance (DA) cost study is adequate to determine whether DA rates cover costs for purposes of this proceeding. U S WEST's DA service is currently priced below cost.

7. The current simple/complex exchange access line structure is a disincentive to expansion. The rate structure "penalizes" simple business line customers ordering additional lines by increasing the price of the first four lines to the higher complex line rate upon the ordering of the fifth line. The company's tariff revision remedies this disincentive.

8. The current Complex Flat exchange access line rates are priced well above long-run incremental costs. Directing U S WEST to lower these rates is not anti-competitive.

## *CONCLUSIONS OF LAW*

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

2. The tariff revisions filed in Docket Nos. UT-930957, UT-931055, and UT-931058 were not demonstrated by the company to be just, fair, reasonable, and sufficient, as filed, and should be rejected as described in detail in this Order.

3. The company should be ordered to file new tariff revisions, with new cost studies and supporting workpapers, for Network Access Channel, Channel Performance, and Transport Mileage, consistent with the terms of this Order, not later than May 1, 1995, to be effective 60 days after the filing date.

4. The company's request to increase the DA rate to $.35 per billable DA call should be approved. The DA free call allowance should be reduced from four per month to two per month for both residence and business customers, with two inquiries allowed per call.

5. The company's request to revise the simple/complex business service flat rate structure should be approved. Only the fifth and subsequent business lines should be charged the complex line rate.

6. The company's request to reduce the Stand-By Line and Complex Flat exchange access line rates in Rate Groups 2 and 3 should be approved.

7. All motions made in the course of this proceeding which are consistent with findings and conclusions made in this Order should be granted and those inconsistent should be denied.

On the basis of its analysis of the record evidence, and the above findings and conclusions, the Washington Utilities and Transportation Commission enters the following Order.

## *ORDER*

**THE COMMISSION ORDERS:**

1. The tariff revisions filed in Docket Nos. UT-930957, UT-931055, and UT-931058 are rejected. Respondent is authorized to refile tariff revisions pursuant to the terms of this Order.

2. The tariff refiling for Directory Assistance, the simple/complex business service flat rate restructure, and Stand-By Line and Complex Flat exchange access line rate reductions are to be filed not later than September 26, 1994, and are to bear an effective date of October 1, 1994. The tariff revisions shall bear the notation on each sheet, "By Authority of the Washington Utilities and Transportation Commission in Docket Nos. UT-930957, UT-931055 and UT-931058".

3. The tariff filing for the Network Access Channel, Channel Performance, and Transport Mileage services of the restructured Private Line Transport Services tariff are to be filed under a separate docket number not later than May 1, 1995, with a stated effective date 60 days after the filing date.

4. The notice of the filings authorized in this Order shall be posted at each business office of respondent in the territory affected on or before the date of filing with the Commission. The notice shall state that the filing is to become effective on the date inserted as the effective date, pursuant to the above authorization, and the notice shall advise that a copy of the filing is available for public inspection at each such office. This notice shall remain posted until the Commission has acted on the filing.

5. The tariff filings specifically authorized by this Order shall be limited in scope expressly to the matters discussed and decided by the Commission in this Order. The company is not to combine any other tariff revisions with the tariff filings required by this Order.

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6. All motions consistent with this Order are granted and those which are inconsistent are denied.

7. The Commission retains jurisdiction over the parties and subject matter to effectuate the provisions of this Order.

DATED at Olympia, Washington and effective this 15th day of September 1994.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Sharon L. Nelson

SHARON L. NELSON, Chairman

Richard Hemstad

RICHARD HEMSTAD, Commissioner

**NOTICE TO PARTIES:**

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