A. In rejecting market value as a basis for establishing rate base in 1916, the Commission established a principle that it follows to this day. It does not include realized or unrealized goodwill in rate base. By excluding goodwill from rate base, the Commission has always prevented regulated companies from earning a return on goodwill or from recovering losses in the value of goodwill. Thus, Washington ratepayers have never borne the risk of loss on goodwill, including the goodwill of the directory advertising business. Most of the gain on the sale of Dex is attributable to Dex's goodwill; the value of Dex's tangible assets is a relatively minute portion of the total value the Buyers have agreed to pay for Dex.

Q. DID THE RATES THAT WENT INTO EFFECT ON AUGUST 1, 1919—THE DAY FOLLOWING THE EXPIRATION OF THE POSTMASTER GENERAL'S RATES—IMPOSE ON CUSTOMERS THE RISK OF LOSS ON THE COMPANY'S ASSETS?

A. No. The rates that were in effect from 1919 and remained effective until March 31, 1923, were never approved by the Commission.~~[18]~~ The Commission simply allowed them to be filed and to go into effect without the normal 30-day notice required by statute. At no time did the Commission make any findings regarding the reasonableness of those rates. Because the Commission never acted to approve them, those rates did not obligate ratepayers to pay rates based on the company's costs or to bear losses on the Company's assets. No linkage existed between rates and losses on dispositions of assets. Moreover, the rates the Commission allowed to go into effect on one day's notice, in fact, provided only a minimal return on the Company's assets during the period 1919 through June of 1922. *See* Exhibit PEG-3, page 7.

Q. DURING THIS ENTIRE 40-YEAR PERIOD, FROM 1883 THROUGH 1923, DID RATEPAYERS BEAR THE RISK OF LOSS ON ANY OF THE COMPANY'S ASSETS?

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