

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of)	DOCKET U-89-3524-AT
)	
PACIFIC NORTHWEST BELL)	
TELEPHONE COMPANY (PNB))	ORDER 03
)	
To Merger with the Mountain States)	
Telephone and Telegraph Company)	ORDER REOPENING DOCKET
(MTN) (To be Renamed U S WEST)	AND AMENDING SECOND
COMMUNICATIONS INC.) (USWC),)	SUPPLEMENTAL ORDER
and For USWC to Assume Debt of PNB)	
and to Issue Securities Under)	
Authorization Previously Granted But)	
Not Fully Utilized by PNB)	
.....)	

BACKGROUND

I On November 9, 1990, the Washington Utilities and Transportation Commission (Commission) issued its Second Supplemental Order (Order 02) approving the merger of Pacific Northwest Bell Telephone Company and Mountain States Telephone and Telegraph Company to form U S WEST Communications, Inc. (USWC). The Commission conditioned its approval on the conditions contained in the settlement agreement between the companies and Commission Staff. Among those conditions was the following requirement:

Within sixty days of any change, USWC will file with the WUTC a report of any changes in the methodology used to allocate regional costs, and an explanation of the reason(s) for the change in methodology.¹

¹ Order 02, Appendix A (Settlement Agreement) § 5.B.10 (Condition 5.B.10).

- 2 On October 19, 2011, CenturyLink QC (CenturyLink or Company), the ultimate successor to USWC, filed a petition for waiver of this requirement (Petition).² CenturyLink states in the Petition that since the Commission issued Order 02, the Company has not changed the methodology it used to allocate regional costs and thus has not had occasion to file any reports pursuant to this condition. The methodology, however, will change as a result of the integration of Qwest Corporation's accounting processes into CenturyLink's accounting systems.
- 3 CenturyLink contends that Condition 5.B.10 is relevant only in conjunction with rate-of-return ratemaking principles, and the Commission no longer regulates the Company's rates using such principles. All of its services are either classified as competitive or governed by the current alternative form of regulation (AFOR). CenturyLink maintains that there is no need for the Commission or the Company to expend resources to review the allocation of shared costs unless and until the Commission were to investigate the Company's rates under rate-of-return principles. Accordingly, CenturyLink requests that the Commission waive this requirement.

DISCUSSION AND DECISION

- 4 Consistent with WAC 480-07-395(4), we construe the Petition as a request to reopen the record in this docket and amend Order 02 pursuant to WAC 480-07-875. We grant that request. We agree with CenturyLink that the Commission currently does not regulate the Company's rates under rate-of-return principles, and thus Condition 5.B.10 is no longer warranted under circumstances as they exist today. We therefore will amend Order 02 to remove that requirement.

² The Commission deferred consideration of the Petition pending the outcome of the Company's federal district court challenge to the Commission order approving CenturyLink's acquisition of Qwest Corporation in Docket UT-100820. The court dismissed the case on March 19, 2012, leaving the Commission's order in place and resolving the uncertainty concerning the Company's status as the ultimate successor to USWC.

ORDER

THE COMMISSION ORDERS THAT

- 5 (1) This docket is reopened to consider CenturyLink's request to amend one of the conditions in the Second Supplemental Order.
- 6 (2) The Second Supplemental Order is amended to remove the requirement that CenturyLink QC, the successor to U S WEST Communications, Inc., file a report of any changes in the methodology used to allocate regional costs, and an explanation of the reason(s) for the change in methodology.
- 7 (3) This docket is once again closed.

Dated at Olympia, Washington, and effective July 16, 2012.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner