

DEC 30 1983

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of)
PACIFIC NORTHWEST BELL TELEPHONE )
COMPANY, a Washington Corporation, )
for an Order Approving Agreements )
for Services with U S WEST DIRECT )
COMPANY and the Transfer of Assets )
to LANDMARK PUBLISHING CO., Wholly-)
Owned Subsidiaries of U.S. WEST, )
INC. )
. . . . . )

CAUSE NO. FR-83-159

ORDER GRANTING
APPLICATION IN PART

On December 22, 1983 Pacific Northwest Bell Telephone Company (PNB) filed an application with the Commission under the provisions of chapters 80.12 and 80.16 RCW for an order approving:

- (a) a Publishing Agreement between PNB and U S West Direct Company (USWDC);
(b) a Memorandum of Agreement between PNB and USWDC for the provision of certain administrative services by PNB to USWDC; and
(c) the transfer, effective January 1, 1984, to Landmark Publishing Company (LPC) of total companywide PNB assets in the amount of \$24,101,000 less all related reserves and deferred items or a companywide adjusted net book total of \$23,522,946 in exchange for .21 share of the sole share of stock of LPC.

The application was supplemented and amended on December 23 and 27, 1983.

Pursuant to court order of the United States District Court for the District of Columbia, on January 1, 1984, American Telephone and Telegraph Company (AT&T) will divest itself of portions of its 22 wholly-owned subsidiary Bell operating telephone companies (BOCs). After January 1, 1984, U S West, Inc. (USW) will be PNB's sole shareholder. LPC will be a wholly-owned subsidiary of USW and the parent of USWDC. Therefore USW, LPC and USWDC are affiliated interests of PNB as defined in RCW 80.16.010.

PNB assets to be transferred consist of cash in the amount of \$22,200,000, one leasehold, station equipment, office equipment and furniture. The transfer of assets will be accounted for in the manner set forth in Exhibit D of the application herein. Following the transfer of assets, PNB will transfer the LPC stock to USW as a stock dividend payable January 3, 1984, to the shareholders of record January 1, 1984.

PNB submitted the following statement in support of the asset transfer proposed herein:

"The purpose of the transaction is a rearrangement of USW's assets to internally provide from PNB and USW's other operating telephone companies the initial capitalization for USW's publishing subsidiary LPC. The transaction has been proposed in this manner rather than as a dividend

to USW because it more completely discloses the ultimate purpose of the transfer of money and property from PNB to USW than a dividend directly to USW. Additionally, the format used is a tax free exchange. This transaction does not negatively impact PNB's ratepayers since the leasehold, cash and other property to be transferred will be removed from the rate base. The transaction will slightly increase PNB's debt ratio. The transfer requires the approval of the Commission pursuant to RCW 80.12.020."

The agreements with affiliates proposed herein concern the implementation of a new publishing agreement between PNB and USWDC for the publication of PNB's white and yellow page directories and the intention of PNB to provide certain services to USWDC. The services include data processing, billing and collection, payroll, personnel, medical and legal. Neither agreement has been finalized at this time.

The Commission is of the opinion that under the circumstances it would be best from a regulatory standpoint to approve the proposed affiliated interest agreements only on an interim basis at this time. Final action should be deferred until the Commission has time to make a more realistic appraisal of the merits of the proposed affiliated interest agreements than is now possible. The additional time will also enable the Commission staff and PNB to develop a reporting format for use in conducting an ongoing review of the agreements. The interim approval herein will be subject to the following conditions:

- (a) When copies of the proposed Publishing Agreement and Memorandum of Agreement are finalized, copies thereof will be filed with the Commission as a part of the application herein.
- (b) If PNB should file for a rate case before a final order is issued in this proceeding, then PNB will make available information as required by the Commission for review in the context of that rate proceeding.
- (c) In addition to the normal annual reporting requirement, PNB will file a report on the interim activity within 90 days of receipt of a final order herein, or by June 30, 1984, unless that material is otherwise provided the Commission.

#### FINDINGS

##### THE COMMISSION FINDS:

1. Pacific Northwest Bell Telephone Company, a Washington corporation, is a public service company subject to jurisdiction of this Commission under the provisions of chapters 80.12 and 80.16 RCW.

2. Landmark Publishing Company and U S West Direct Company will become affiliated interests of Pacific Northwest Bell Telephone Company as defined in RCW 80.16.010, on January 1, 1984, when pursuant to the Modification of Final Judgment as

approved by the United States District Court for the District of Columbia on August 24, 1982, American Telephone and Telegraph Company must divest itself of Pacific Northwest Bell Telephone Company.

3. As to form, the application herein meets the requirements of chapters 80.12 and 80.16 RCW and the rules and regulations of the Commission adopted pursuant thereto.

4. The proposed transfer by Pacific Northwest Bell Telephone Company of certain property to Landmark Publishing Company will not be inconsistent with the public interest and should, therefore, be approved under the terms and conditions of this order.

5. An order determining the reasonableness and consistency with the public interest of the proposed agreements will be issued at a later date.

6. In this proceeding the Commission neither approves nor disapproves the reasonableness of any fees, charges or accounting allocations involved in carrying out the proposed agreements conditionally approved herein.

#### O R D E R

##### THE COMMISSION ORDERS:

1. After the effective date of this order and subject to the conditions hereof, Pacific Northwest Bell Telephone Company is hereby authorized to transfer, effective January 1, 1984, to Landmark Publishing Company total companywide assets in the amount of \$24,101,000 less all related reserves and deferred items, or a companywide adjusted net book total of \$23,522,946 in exchange for .21 share of the sole share of stock of Landmark Publishing Company.

2. Subject to the conditions of this order, a Publishing Agreement between Pacific Northwest Telephone Company and U S West Direct Company is hereby conditionally approved for an interim period ending June 30, 1984.

3. Subject to the conditions of this order, the Memorandum of Agreement between Pacific Northwest Bell Telephone Company and U S West Direct Company for the provision of certain administrative services by Pacific Northwest Bell Telephone Company to U S West Direct Company is hereby conditionally approved for an interim period ending June 30, 1984.

4. The interim approval herein is subject to the following conditions:

(a) When copies of the proposed Publishing Agreement and Memorandum of Agreement are finalized, copies thereof will be filed with the Commission as a part of the application herein.

(b) If PNB should file for a rate case before a final order is issued in this proceeding, then PNB will

make available information as required by the Commission for review in the context of that rate proceeding.

- (c) In addition to the normal annual reporting requirement, PNB will file a report on the interim activity within 90 days of receipt of a final order herein, or by June 30, 1984, unless that material is otherwise provided the Commission.

5. Pacific Northwest Bell Telephone Company will develop an annual reporting format acceptable to the Commission fully disclosing to the Commission the cost of carrying out the services to be performed pursuant to the agreements and the allocation of those costs.

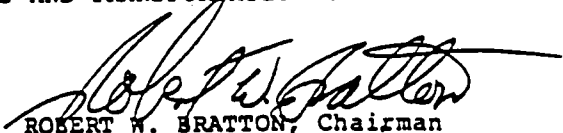
6. The reasonableness of any fees, charges or accounting allocations involved in carrying out the provisions of the agreements conditionally approved by ordering paragraph nos. 2 and 3 of this order is neither approved nor disapproved in this proceeding.


7. Jurisdiction of this proceeding is hereby retained by the Commission for the purpose of entering such further orders or of taking any other action that it may deem necessary and proper in respect to the subjects under consideration in this proceeding.

8. This order shall in no way affect the authority of this Commission over rates, service, accounts, valuations, estimates or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

DATED at Olympia, Washington, and effective this 30th day of December, 1983.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

  
ROBERT W. BRATTON, Chairman

  
MARY D. HALL, Commissioner