

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	DOCKET NO. UT-950200
Complainant,)	
)	
vs.)	REPLY BRIEF OF COMMISSION
)	STAFF TO REVENUE REQUIREMENTS
U S WEST COMMUNICATIONS, INC.,)	BRIEF OF U S WEST
)	COMMUNICATIONS, INC.
Respondent.)	
.....)	

Staff replies to the following portions of U S West Communications, Inc.'s Revenue Requirements Brief:

II.B. REVENUES/Yellow Pages Imputation--SA #1 - C3

The Commission ordered all dispositive motions to be filed by October 2, 1995. Notice of Prehearing Conference dated October 12, 1995. In response to that order, U S West moved to remove the consideration of Yellow Pages imputation on the grounds that the Commission lacked the power and jurisdiction to treat Yellow Pages revenues as part of regulated results of operations. Motion of USWC to Exclude Issues, dated October 2, 1995. In its Eleventh Supplemental Order, the Commission determined it had the power and jurisdiction to impute Yellow Pages revenue. Id., pp. 3-4. Any argument regarding the Commission's authority to impute Yellow Pages revenues should have been raised in U S West's October 2, 1995, motion. Although the authority of the Commission to impute

Yellow Pages revenues has already been decided, the Company raised new arguments on brief which call for replies.

1. The Company claims that the Commission lacks authority to impute Yellow Pages revenue under the ratemaking formula.

Reply: Yellow Pages operations is a regulatory asset the revenues of which have historically been included in state ratemaking determinations under the traditional ratemaking formula. United States v. American Tel. & Tel. Co., 552 F. Supp. 131, at 194 (D.D.C. 1982). Pacific Northwest Bell v. Katz, 853 P.2d 1346 (Or. App. 1993); In re Rates & Charges of Mountain States Tel. & Tel. Co. v. Corporation Comm'n, 653 P.2d 501 (N.M. 1982); Utilities Comm'n v. Southern Bell Tel. & Tel. Co., 299 S.E. 2d 763 (N.C. 1983); Docket No. U-86-150, second supplemental order.

2. The Company claims that the new federal legislation preempts the imputation of Yellow Pages revenue.

Reply: There is nothing in the statute cited by the Company that as a matter of law preempts the imputation of Yellow Pages revenues to U S West. 47 U.S.C. § 254(f).

V.A. TAXES/Recalculation of Sharing Adjustment (RMA #9)

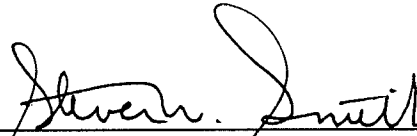
On page 33, lines 16-22, the Company contends that Staff's additional comments on the 1990 sharing support the Company's proposal to reduce the ratepayers' share of excess earnings through an offset to deferred income taxes. This contention is simply incorrect. Staff's comments referred only to three

adjustments, none of which pertained to the disposition of excess earnings, or the way in which such earnings were to be booked to the depreciation reserve. The Company's belated proposal to reduce the ratepayers' share of excess earnings, which even the Company did not raise and articulate until it filed its rebuttal testimony in October 1995, has never been supported or acquiesced in by Staff.

DATED this 8th of March, 1996.

Respectfully Submitted,

CHRISTINE O. GREGOIRE
Attorney General

A handwritten signature in cursive script, appearing to read "Steven W. Smith", is written over a horizontal line.

STEVEN W. SMITH
Assistant Attorney General