$4.00 per share, totals $280 million in loss potential to employees should QCII go bankrupt, not $12 million.

Q. YOU STATED THAT STAFF'S PROPOSAL FOR THE AMOUNT AND DISPOSITION OF THE PROCEEDS FROM A SALE, SHOULD THE COMMISSION APPROVE QWEST'S PETITION, SIGNIFICANTLY INCREASES QWEST'S FINANCIAL EXPOSURE BY CREATING PHANTOM GAIN LIABILITY AND REQUIRING THAT ALL PROCEEDS BE PAID INTO A REGULATORY FUND. PLEASE EXPLAIN WHAT YOU MEAN.

A. Simply put, Staff's proposal fabricates gain for which there is no corresponding sale proceeds. On a total company basis, Staff proposes that a BEGIN QWEST CONFIDENTIAL ***********[11] END QWEST CONFIDENTIAL sales price be used when the total proceeds of the sale are actually approximately $7.05 billion.[12] Although Qwest witness Taylor provides testimony that rebuts the rationale for this phantom sales price increase, Staff's proposal to increase a financially strapped company's net payment liability by $2.4 billion needs to be questioned in light of the public interest standard. There is no question that obligating QC to set aside purely fabricated, phantom gains for ratepayers dramatically increases Qwest's financial exposure, even if the sale is consummated. And, as if the phantom gain were not enough, Staff proposes that Washington's share of their recommended sales proceeds be paid into some type

[11] *See* Selwyn Exhibit LLS-24C.

[12] On a Washington specific basis the Staff proposal is $1.726 billion (gross proceeds - net of LCI – Staff state allocation factor) compared to $1.284 billion (gross proceeds – net of LCI – Staff state allocation factor) for the actual sales price.