

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF PACIFIC NORTHWEST BELL TELEPHONE )  
COMPANY (PNB) TO MERGE WITH THE )  
MOUNTAIN STATES TELEPHONE AND )  
TELEGRAPH COMPANY (MTN) (TO BE )  
RENAMED U S WEST COMMUNICATIONS )  
INC.) (USWC), AND FOR USWC TO )  
ASSUME DEBT OF PNB AND TO ISSUE )  
SECURITIES UNDER AUTHORIZATION )  
PREVIOUSLY GRANTED BUT NOT FULLY )  
UTILIZED BY PNB )  
. . . . . )

DOCKET NO. U-89-3524-AT  
  
THIRD SUPPLEMENTAL  
ORDER GRANTING PETITION  
FOR RECONSIDERATION AND  
AMENDING SECOND  
SUPPLEMENTAL ORDER

BACKGROUND

On December 7, 1989, Pacific Northwest Bell Telephone Company ("PNB" or "company"), filed an application for approval of such actions as might be necessary to consummate a merger of PNB and Mountain States Telephone and Telegraph Company. The application was amended on January 16, 1990. On July 6, 1990, PNB and Commission staff filed a proposed settlement agreement recommending approval of the application on certain conditions. On November 9, 1990, the Commission entered the Second Supplemental Order in this docket approving the amended application subject to the conditions set forth therein. On November 20, 1990, the company filed a petition for reconsideration, denominated a "Petition for Clarification," of the Second Supplemental Order.

SUMMARY

The company's petition for reconsideration is granted and the Commission amends the Second Supplemental Order as herein described.

MEMORANDUM

I. The imputation of directory advertising revenues.

The Commission acknowledges the concerns raised by the company relating to the indefinite term of the imputation of directory advertising revenues contained in the Commission's Second Supplemental Order. However, the company recognizes the potential for future problems relating to directory advertising revenues and "agrees with the WUTC that the issue is best laid to rest now."

The Commission therefore will amend the condition placed upon its approval of the settlement agreement. Thus, the Settlement Agreement will be modified to require that U S WEST Communications, Inc.'s directory advertising revenues associated with the state of Washington be imputed, until December 31, 1994, in accordance with paragraph 18 (H) of the Joint Motion for Approval of Settlement And For Continuance of The Hearing Set For September 28, 1989 in Docket U-2698-F. Thereafter, these revenues will continue to be imputed accordingly unless and until altered by subsequent order of the Commission.

## II. The source of directory advertising revenues.

The Commission declines to limit the condition on imputation of directory advertising revenues to support regulated operations to "printed Washington telephone directories" as suggested by the company. The Commission is of the opinion that this issue was neither considered nor resolved by the "Decree Court" and was neither considered nor resolved by this Commission in Docket U-2698-F or the instant proceeding.

The Commission, like PNB, is of the "express understanding that the issue of whether the WUTC could require imputations from other unregulated non-telecommunications services of USWC is not addressed nor foreclosed by this additional condition." Nonetheless, further discussion of the nature of appropriate sources of directory advertising revenues against which to apply the adopted imputation methodology is not supported by the record in this proceeding.

### ORDER

WHEREFORE, THE COMMISSION ORDERS:

Finding of Fact No. 7 of the Second Supplemental Order in this docket is hereby amended to read as follows:

7. The Settlement Agreement will be modified to require that U S WEST Communications Inc.'s directory advertising revenues associated with Washington be imputed, until December 31, 1994, in accordance with paragraph 18 (H) of the Joint Motion for Approval of Settlement And For Continuance Of The Hearing Set For September 28, 1989 in Docket U-2698-F. Thereafter, these revenues will continue to be imputed accordingly unless and until altered by subsequent order of the Commission.

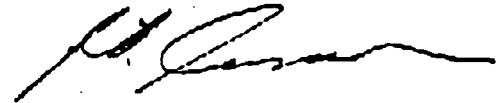
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DATED at Olympia, Washington, and effective this 30<sup>th</sup> day of November, 1990.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



SHARON L. NELSON, CHAIRMAN



RICHARD D. CASAD, COMMISSIONER



A. J. PARDINI, COMMISSIONER

**NOTICE TO PARTIES:**

This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).