

In the Matter of the Investigation of the)
Resale Discount Rates of U.S. WEST)
COMMUNICATIONS, INC., for Services)
Provided to other Utah Certified Local)
Exchange Carriers)

DOCKET NO. 99-049-20

ORDER APPROVING STIPULATION

ISSUED: February 28, 2000

By The Commission:

PROCEDURAL HISTORY

On June 1, 1999, the Division of Public Utilities ("Division") filed a Petition to Revise the Resale Discount Rates of U.S. West Communications, Inc. ("US West"). In its Petition, the Division provided a brief history of the case as follows:

In December of 1996, the Commission ordered interim resale discount levels for most of US West's retail services as a result of its initial decisions in arbitrating the interconnection agreement between TCG, Inc., and US West in Docket No. 96-2211-02. The interim discount levels remained in effect for all arbitrated interconnection agreements until the Commission issued its orders in Phase I of Docket No. 94-999-01. In its October 24, 1997 Order, the Commission accepted the avoidable expense determination methodology using data derived from the 1994 Division Cost of Service (DCOS) study, decided the specific treatment for many disputed expense accounts, and established the procedure by which various services would be combined into five discount groups for setting the resale prices. In its Order on Rehearing issued February 12, 1998, in Docket No. 94-999-01 (Phase I), the Commission revised the mathematical method for calculating the discount levels in combining the various retail products into five resale groups.

The Division also noted that the purpose of its Petition was to comply with the Commission's request at the conclusion of hearings in Phase I to provide a future avoidable expense analysis and discount level calculations based on more current DCOS study data. The Division subsequently filed the DCOS study results for 1995, 1996 and 1997, which indicated that many US West financial changes had occurred since 1994. The Division stated that the DCOS study showed that the financial changes that had occurred were the result of (1) annual updates to the US West depreciation rates; (2) significant US West retail rate changes in December 1997 due to the 1997 US West rate case; (3) investment and expense changes due to ongoing company restructuring and reorganization; (4) investment and expense changes due to technological upgrades to the networks and to operations support systems; and (5) changes from the adoption of revised accounting system designations and activity assignments. The Division performed a new avoidable expense analysis of the most recent 1997 DCOS study results and from the avoidable expense analysis recalculated the applicable revised resale discount levels for each of the individual retail products and for the combined product groups using the method previously approved by the Commission's February 13, 1998 Order.

The Division's Petition further requested that the Commission schedule hearings and filing dates to allow US West and other affected parties to present their support or opposition to the adoption of the revised discount levels.

On August 24, 1999 the Commission issued a Scheduling Order establishing dates for the filing of direct testimony of US West and the intervenors in the case, Electric Lightwave Inc. ("ELI"), Nextlink Utah, Inc. ("Nextlink"), McLeodUSA Telecommunications Services, Inc. ("McLeod"), and AT&T Communications of the Mountain States, Inc. ("AT&T"), rebuttal and surrebuttal testimony and a hearing date of January 6-7, 2000.

On September 9, 1999, the Division filed a revised DCOS Study, avoidable expense analysis and discount rates which included minor adjustments based upon informal discussions with US West.

On October 8, 1999, US West filed a Motion to Dismiss the Division's Petition. On October 13, 1999, ELI filed a Motion for Extension of Time to respond to US West's Motion to which the Division and Nextlink concurred.

On October 20, 1999, the Division filed a response in opposition to US West's Motion to Dismiss.

On October 22, 1999, the Commission issued a Revised Scheduling Order, pursuant to a Stipulation of the parties on October 14, 1999, and also set a hearing on US West's Motion to Dismiss for October 26, 1999.

On October 26, 1999, a hearing was held on US West's Motion at which time the Commission denied the Motion but directed the parties to hold a technical conference on November 16, 1999, for the purpose of resolving the issues between the parties.

On November 16, 1999, the Division and US West participated in a technical conference and reviewed detailed information regarding various accounts that US West had compiled after the Study was filed. In addition, the Division requested that US West provide additional information which US West did, following the technical conference.

On December 3, 1999, US West filed supplemental direct testimony of Ms. Marti Gude. The supplemental testimony contained all of the information provided to the Division during, and following, the technical conference.

On December 6, 1999, the Division filed the Rebuttal Testimony of Larry F. Fuller wherein the Division adopted some of US West's suggestions, made modifications based on other suggestions, but did not fully adopt them and rejected others.

On December 8, 1999, the Division filed certain revisions to the Rebuttal Testimony of Larry F. Fuller and to the avoidable expense analysis as revised.

No other party to the case filed a response to US West's Motion to Dismiss, participated in discovery, participated in the November 16, 1999 technical conference, or filed direct or rebuttal testimony.

US West initially took the position that the resale discount rates should not be revised at this time. In addition, the Division did not accept all of US West's suggestions regarding the DCOS Study in its revised testimony. US West however, in light of the Commission's denial of its Motion, the detailed analysis of the DCOS Study as supplemented by the detailed analysis and information provided by US West, and the revisions to the Study made by the Division, agreed to accept the revisions to the resale discount rates contained in Mr. Fuller's Rebuttal Testimony as revised.

On December 22, 1999, US WEST and the Division filed a Stipulation with the Commission establishing the resale discount rates for US West's retail services to be modified as follows:

Group	Description of Group	Current Discount	Proposed Discount
1	Local exchange residence and business DTL, Intraoffice EAS, all Central Office Custom Calling, Class, DID, etc. features, Listing services, and ISDN Basic and Primary services and features.	14.5%	12.2%
2	PBX Trunk services and all CENTREX and CENTRON type services	22.2%	22.4%
3	Private Line and Advanced Communications services	11.0%	10.7%
4	Operator services and Directory Assistance services	13.4%	15.0%
5	Message Telephone service/Optional Toll Calling Plans, and 800 services	17.0%	14.2%
	Composite Average of All Groups	15.2%	13.3%

At a hearing held on January 6, 1999, the Division and US West submitted the Stipulation for the Commission's approval. The Division presented Mr. Larry F. Fuller as its witness to support and provide details of the Stipulation. US West witness Ms. Marti Gude was available by phone and testified in support of the Stipulation. At the conclusion of the hearing, the Commission approved the Stipulation.

Based upon the foregoing and good cause appearing therefore, the Commission makes the following:

ORDER

NOW, THEREFORE IT IS HEREBY ORDERED, that the Stipulation of US West and the Division of Public Utilities establishing the resale discount rates for US West's retail services as set forth above, is hereby granted with the rates to be effective in the first full billing cycle commencing not earlier than 30 days from the date of issuance of this Order.

DATED at Salt Lake City, Utah, this 28th day of February, 2000.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary