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BEFORE THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN
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Arizona Corporation Commission
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JAN 21 2000

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DOCKET NO. T-01051B-99-0105

IN THE MATTER OF THE APPLICATION)
OF U S WEST COMMUNICATIONS, INC.,)
A COLORADO CORPORATION, FOR A)
HEARING TO DETERMINE THE EARNINGS)
OF THE COMPANY, THE FAIR VALUE OF)
THE COMPANY FOR RATEMAKING)
PURPOSES, TO FIX A JUST AND)
REASONABLE RATE OF RETURN THEREON)
AND TO APPROVE RATE SCHEDULES)
DESIGNED TO DEVELOP SUCH RETURN.)

MOTION OF THE ARIZONA CORPORATION COMMISSION STAFF
FOR AN ORDER DIRECTING THE COMPANY TO UPDATE ITS SCHEDULES

The Arizona Corporation Commission ("Commission") Staff hereby moves the Commission to order U S WEST Communications, Inc. ("U S WEST" or "Company") to immediately update its Schedules in this case to reflect the Company's most recent operating data consistent with the requirements of A.A.C. R14-2-103.

A.A.C. R14-2-103 requires that a company utilize a test year ending with the most recent practical date available prior to the filing. When U S WEST filed its Application for a rate increase on January 8, 1999, the Company stated that its proposed revenue requirement was based upon the most recent test period feasible, the twelve months from July, 1997 through June, 1998. U S WEST Application at p. 1. However, this is no longer the case, given events which were outside of the parties' control, and Commission Staff has significant concerns regarding the continued use of a test year by the Company which is now so far outdated as to be of questionable validity on a going forward basis. Given the rules' requirements, Commission Staff believes that it would be

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1 appropriate to require the Company to update its schedules to reflect the most recent test year end
2 available, preferably the twelve month period from January, 1999 through December, 1999.¹

3 Unless a more current test year is utilized. Commission Staff is concerned that the
4 results produced will no longer accurately represent the Company's operations, including current
5 revenue and expense levels. The Company itself is proposing to make several significant post test
6 year adjustments to reflect changes in its operations since its Application was filed.

7 Further, the combined impact of recent filings made by the Company since its
8 Application was submitted, will be nothing short of a dramatic transformation of the Company from
9 a large regional local exchange carrier into a nationwide communications carrier providing a vast
10 array of services including out-of-region long distance service. Some of the more significant
11 pending matters include the proposed merger with Qwest Communications Corporation (Docket No.
12 T-01051B-99-0497), the proposed transfer of approximately 154,000 access lines and 38 wire
13 centers located in rural Arizona to Citizens Utilities Rural Company, Inc. (Docket Nos. T-01051B-
14 99-0737 and T-01954B-99-0737), the proposed transfer of certain broadband utility assets to an
15 unregulated subsidiary (Docket No. T-10151B-99-0499), an application for Section 271 authority
16 to provide in-region interLATA long distance service in Arizona (Docket No. T-00000A-97-0238),
17 and a petition to deregulate the Company's voice messaging service (Docket No. T-01051B-98-
18 0575).

19 The Company's Application also includes a proposal to create competitive zones
20 which would give the Company greater market freedom in certain areas of the State and a proposal
21 to deregulate data services. Application at p. 1. The Commission Staff has enlisted the services of
22 a consultant to assist it in examining whether some form of alternative regulation would be
23 appropriate on a going-forward basis for U S WEST. It is particularly important when implementing
24 an alternative regulation plan, to base any financial evaluations upon the most current operational
25

26 ¹ This would also be more consistent with the requirements of Decision No. 60928 in
27 the Depreciation Docket [Docket No. T-01051B-97-0689] which required U S WEST to file its rate
28 application "[w]ithin 60 days of the effective date of a final Commission decision issued in this
[Depreciation] docket". *Id.* at p. 7.

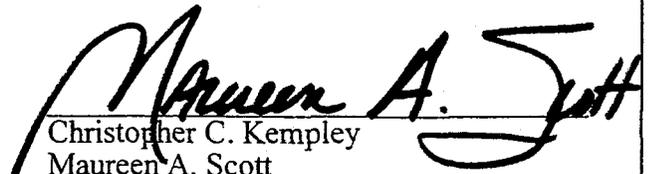
1 data available, since most alternative regulation plans remain locked in place for a fixed duration of
2 time up to 5 years in some cases, before they are subject to review. Therefore, it is critical when first
3 adopting such a plan to make sure that it is based upon the most current and up-to-date information
4 available.

5 Commission Staff believes that the schedule now in place for resolution of the
6 Depreciation Docket allows an excellent opportunity for the Company to update its schedules
7 without introducing significant delay into the current process. Staff and intervenor direct testimony
8 has not yet been filed and the current procedural schedule has been indefinitely suspended pending
9 resolution of the Depreciation Docket, which is scheduled for an accelerated hearing on February
10 28-29th, 2000. Therefore, Commission Staff believes that if the Company is ordered to file updated
11 schedules at this time, the case could still be completed by year-end.

12 In consideration of the above, Commission Staff hereby requests that the Commission
13 order U S WEST to file updated rate case R-14 Minimum Filing Schedules based upon a January,
14 1999 through December, 1999 test year. Commission Staff recommends that the Company be given
15 approximately one (1) month to make its updated filing. Meanwhile, parties can begin to commence
16 discovery at this time to help expedite the process.

17 WHEREFORE, the Staff of the Arizona Corporation Commission hereby requests that
18 the Commission order U S WEST to update its schedules to reflect a test year from January, 1999
19 through December, 1999.

20 RESPECTFULLY SUBMITTED, this 21st day of January, 2000.

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1 CERTIFICATE OF SERVICE

2 The original and ten copies of the foregoing "Joint Motion Of U S WEST
3 Communications, Inc. and Commission Staff For Modification Of The Current Procedural
4 Schedule" were filed this 21st day of January, 2000 with:

5 Docket Control
6 Arizona Corporation Commission
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9 Copies of the foregoing were mailed this 21st day of January, 2000 to:

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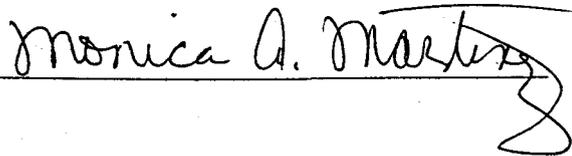
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