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A PROFESSIONAL CORPORATION

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1999 DEC -1 P 4: 09

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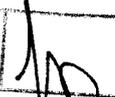
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AZ CORP COMMISSION
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December 1, 1999

Arizona Corporation Commission
DOCKETED

DEC 01 1999

DOCKETED BY 

VIA HAND DELIVERY

Ms. Connie Northrup
Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

Re: U S WEST Communications, Inc.'s 1999 Rate Application, Docket No. T-01051B-99-0105

Dear Ms. Northrup:

Enclosed for filing in the above matter are the original and ten copies of the Supplemental Testimony of George Redding and associated exhibits. If you have any questions, please do not hesitate to contact me.

Very truly yours,

Timothy Berg

TB/sd
Enclosure

cc: All parties of record
/939981.1/67817.172
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BEFORE THE ARIZONA CORPORATION COMMISSION

1999 DEC -1 P 4: 09

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AZ CORP COMMISSION
DOCUMENT CONTROL

DEC 01 1999

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)

ACTION _____

DOCKET NO. T-01051B-99-0105

SUPPLEMENTAL TESTIMONY OF

GEORGE REDDING

U S WEST COMMUNICATIONS

DECEMBER 1, 1999

1 **Q. PLEASE STATE YOUR NAME , TITLE, EMPLOYER AND ADDRESS.**

2 A. My name is George Redding. I am employed by U S WEST Communications
3 ("U S WEST" or "Company") as Director-Regulatory Finance. My address is 1801
4 California, Denver, Colorado.

5

6 **Q. ARE YOU THE SAME GEORGE REDDING WHO FILED DIRECT TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. Yes, I am.

9

10 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

11 A. There are several issues that have occurred since I filed my direct testimony in January
12 of this year. There were also several issues raised by interrogatories that have been
13 received during this period. My testimony here responds to these issues and
14 supplements the revenue requirement calculation that I filed in January.

15

16 **Q. DIDN'T YOU FILE SUPPLEMENTAL TESTIMONY IN MARCH OF 1999?**

17 A. Yes, I did.

18

19 **Q. DOES THIS TESTIMONY BUILD OFF OF THAT SUPPLEMENT?**

20 A. No, it does not. This testimony will address all pertinent issues raised in that testimony,
21 but the modifications I am making to the revenue requirement are modifications to the
22 original revenue requirement I presented in January of 1999. In other words, the March
23 testimony and accompanying exhibits can be discarded.

24

25 **Q. HAVE YOU UPDATED YOUR EXHIBITS?**

1 A. Yes. I have prepared a revised Exhibit GAR-1, which shows the impact of the revisions.
2 Behind that are two main Exhibits - GAR-1A and GAR-1B - which summarize the
3 individual adjustments.

4
5 Based on the number of adjustments and the relatively small size of a number of them,
6 both individually and collectively, I chose to make only the major adjustments that
7 exceeded \$1.5M in revenue requirement value. These are the adjustments summarized
8 on Exhibit GAR-1A and individually explained by Exhibits GAR-1A1 through GAR-1A7.
9 The adjustments that were not included are summarized on Exhibit GAR-1B.

10

11 **Q. WHAT IS THE IMPACT OF THESE REVISIONS?**

12 A. They revised the revenue requirement downward by \$18.0M. The revised revenue
13 requirement is \$207.7M.

14

15 **Q. CAN THE AMOUNTS IN YOUR EXHIBITS BE DIRECTLY TRACED TO THE
16 REFERENCED INTERROGATORIES?**

17 A. No. All of the adjustments on both Exhibits GAR-1A and GAR-1B have been adjusted to
18 reflect end of period values. This is consistent with the original revenue requirement
19 which also reflects end of period values.

20

21 **Q. ARE THE FINAL DEPRECIATION CHANGES INCLUDED IN THIS REVISION?**

22 A. No, the final depreciation is not included. It was not available at the time of this filing. A
23 final revision will be provided as soon as the depreciation change is known. This revision
24 is being filed to allow the parties to examine the changes that have occurred thus far.

25

26 **Q. DID ALL OF THE REVISIONS RESULT FROM THE INTERROGATORY PROCESS?**

1 A. No. There were issues that resulted from other cases and also issues initiated by
2 U S WEST.

3

4 **Q. PLEASE DESCRIBE THEM.**

5 A. The first has to do with the long term number portability ("LNP") surcharge. The final rate
6 for LNP was set by the FCC in July of 1999. A portion of the costs to provide LNP are
7 allocated to the intrastate jurisdiction in the separations process, but all of the revenue
8 allowed by the FCC for recovery of these costs is recorded in the interstate jurisdiction.
9 To prevent any double recovery of these costs in the ratemaking environment, the
10 Company is allocating a portion of those revenues to the intrastate jurisdiction for
11 ratemaking purposes. The adjustment was calculated by multiplying the number of
12 customer lines that would have been LNP compatible at June 30, 1998, the end of the
13 test year, by the FCC tariff per line. Then approximately 82% of this amount was
14 allocated to the intrastate jurisdiction to arrive at the amount in the adjustment.

15

16 **Q. WHAT OTHER ADJUSTMENTS REQUIRE EXPLANATION?**

17 A. There is one adjustment that relates to an order by the Commission. It arises from
18 Decision No. 61304, related to payphones. In their order the Commission ordered
19 U S WEST to refund back to April 1997. The Company firmly believes that this portion of
20 the order amounted to retroactive ratemaking and has, therefore, appealed the order.
21 While the order said that the amounts ordered could be addressed in the rate case, I
22 have made no adjustment for the refund portion of this issue until a court order is issued.
23 An adjustment has been calculated for the going forward portion of the order. As it is less
24 than \$1.5M, it is included on Exhibit GAR-1B.

25

26 **Q. ARE THERE ANY FURTHER REVISIONS NOT RELATED TO INTERROGATORIES?**

1 A. There are three further adjustments. In its review of its filing, U S WEST found an error in
2 its income to revenue multiplier ("multiplier"). It had to do with the state tax portion of the
3 multiplier. While the correct rate was used, Federal income taxes are no longer
4 deductible in calculating state income taxes. This adjustment corrects this error. The
5 correction is shown on Exhibit GAR-3 Revised.

6
7 Another adjustment relates to a separations change. This change was made late in the
8 calendar year of 1998. The portion of that change that affected the test year is reflected
9 in my adjustment.

10
11 The last adjustment not related to interrogatories is an adjustment to correct an
12 accounting error related to Internet Access. Internet Access is a service provided by
13 Interprise America. It is not provided by U S WEST Communications, Inc. During 1998,
14 certain expenses relating to Internet Access were inadvertently allocated to USWC. The
15 error was discovered before the end of the 1998 calendar year and the erroneous
16 accounting entries were reversed. However, the error was not discovered prior to the
17 end of the test period. As a result, it was mistakenly included in the Company's rate case
18 filing. The adjustment to remove Internet Access from the rate case filing is shown on
19 Exhibit GAR-1B.

20
21 **Q. ARE ALL THE REST OF THE ADJUSTMENTS RELATED TO ISSUES RAISED IN THE**
22 **INTERROGATORY PROCESS?**

23 A. Yes, they are. I have referenced pertinent interrogatories in my explanation of each
24 adjustment. Each of the adjustments are explained on Exhibits GAR-1A1 through GAR-
25 1A7.

26

1 **Q. IS THERE A DETAILED EXPLANATION FOR EACH OF THE ADJUSTMENTS ON**
2 **EXHIBIT GAR-1B?**

3 A. No, there is not. As I explained at the beginning of my supplemental testimony, the
4 amounts are insignificant. I included Exhibit GAR-1B so that the parties would know that
5 I had considered all of these items raised in the interrogatory process.

6
7 **Q. ARE THERE ANY CHANGES TO THE R14 FILING PACKAGE?**

8 A. Yes, there are. In my March filing I submitted some minor changes in proposed rates on
9 the H series of schedules. I am resubmitting those changes with this filing. These
10 particular schedules are identical to those filed in March. The revenue requirement
11 update reflected in this filing impacts the A and B series of schedules. Those schedules,
12 reflecting the updates, are also attached.

13
14 **Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

15 A. Yes, it does.

U S WEST
Arizona Intrastate Operations
Revenue Requirement Summary
Test Year Ending June 30, 1998
\$(000)

	Original Cost	Fair Value
1. Adjusted Rate Base	1,473,960	1,736,699
2. Adjusted Net Operating Income	73,596	73,596
3. Current Rate of Return (L2/L1)	4.99%	4.24%
4. Required Operating Income (L1*L5)	158,322	186,544
5. Required Rate of Return	10.74%	10.74%
6. Operating Income Deficiency	84,726	112,948
7. Gross Revenue Conversion Factor	1.6808	1.6808
8. Increase in Gross Revenue Requirements (L6*L7)	\$ 142,406	\$ 189,840
9. Three Year Revenue Requirement	83,336	83,336
10. Total Increase in Revenue Requirement (L8+L9)	\$ 225,742	\$ 273,176
11. Revisions to Revenue Requirement	\$ (18,013)	
12. Revised Increase in Revenue Requirement	\$ 207,729	

U S WEST
Arizona Intrastate Operations
Revision Summary
Test Year Ending June 30, 1998
\$(000)

	December 1999 Correction Adjustments
Summary of Revisions to Requirement	
Revenue Multiplier Update	2,432
Payphone Correction (UTI 10-9, RUCO 18-2)	(1,712)
OPEB Adjustment (UTI 13-59)	5,432
Separations Adjustment	(3,785)
Remove VDSL (UTI 15-14)	(2,883)
End of Period Miscellaneous Revenues (UTI 32-6)	(7,091)
LNP	(10,406)
Total Adjustments	<u>(18,013)</u>

U S WEST

Arizona Intrastate Operations
Accounting Adjustment

Test Year Ending June 30, 1998

Impact on Revenue Multiplier Correction

(In Thousands of Dollars)

Operating Revenues	11,885
Operating Expenses	11,899
Total Operating Income Taxes	(213)
Net Operating Income	198
Rate Base	15,233
Revenue Requirement	2,432

This adjustment reflects the impact of the revised Revenue Multiplier on the original January 8, 1999 filing. This revision corrects the State and Federal tax factors in the Multiplier.

U S WEST

Arizona Intrastate Operations
Proforma Adjustment

Payphone Correction
(End of Period)

Test Year Ending June 30, 1998

(In Thousands of Dollars)

Operating Revenues	(20,494)
Operating Expenses	(235)
Total Operating Income Taxes	(8,144)
Net Operating Income	(12,115)
Rate Base	0
Revenue Requirement	20,494
Original Revenue Requirement	22,206
Incremental Revenue Requirement	(1,712)

This adjustment reflects the incremental change of the correction to the P-01 End of Period Revenue adjustment for payphone toll revenues and replaces adjustment AA-12 as originally provided. Refer to UTI 10-9 and RUCO 18-2

U S WEST

Arizona Intrastate Operations
Proforma Adjustment

OPEB End of Period Adjustment

Test Year Ending June 30, 1998

(In Thousands of Dollars)

Operating Revenues	0
Operating Expenses	25,818
Total Operating Income Taxes	(11,250)
Net Operating Income	(14,568)
Rate Base	6,156
Revised Revenue Requirement	25,762
Less Original Revenue Requirement (1-8-99)	20,330
Incremental Revenue Requirement	5,432

This adjustment reflects the results when restating OPEB on an end of period basis. Refer to UTI 13-59.

U S WEST

Arizona Intrastate Operations
Proforma Adjustment

Test Year Ending June 30, 1998

Separations Retro
(End of Period)

(In Thousands of Dollars)

Operating Revenues	34
Operating Expenses	(2,854)
Total Operating Income Taxes	1,157
Net Operating Income	1,731
Rate Base	(4,709)
Revenue Requirement	(3,785)

A retroactive adjustment was made in the Separations process to rerun all months of 1998 updating the translation of circuit types and investment allocations. This adjustment reflects the impact of June 1998 on an annualized basis.

U S WEST

Arizona Intrastate Operations
Proforma Adjustment

VDSL Adjustment
(End of Period)

Test Year Ending June 30, 1998

(In Thousands of Dollars)

Operating Revenues	0
Operating Expenses	(1,810)
Total Operating Income Taxes	784
Net Operating Income	1,026
Rate Base	(6,313)
Revenue Requirement	(2,883)

This adjustment removes from the part 64 products VDSL expense and investment on an end-of-period basis. Refer to UTI 15-14.

U S WEST

Arizona Intrastate Operations
Proforma Adjustment

Miscellaneous Revenues End of Period Adjustment

Test Year Ending June 30, 1998

(In Thousands of Dollars)

Operating Revenues	7,091
Operating Expenses	81
Total Operating Income Taxes	2,818
Net Operating Income	4,192
Rate Base	0
Revenue Requirement	(7,091)

This adjustment synchronizes Miscellaneous Revenues with the end of period rate base. Refer to UTI 32-6.

U S WEST

Arizona Intrastate Operations
Proforma Adjustment

Test Year Ending June 30, 1998

LNP Intrastate Revenue

(In Thousands of Dollars)

Operating Revenues	10,406
Operating Expenses	119
Total Operating Income Taxes	4,135
Net Operating Income	6,152
Rate Base	0
Revenue Requirement	(10,406)

This adjustment computes the annualized impact of including Interstate LNP Revenue to the Intrastate jurisdiction based on the Federal Tariff finalized in July of 1999.

U S WEST
Arizona Intrastate Operations
Revisions Not Made Summary
Test Year Ending June 30, 1998
\$(000)

	December 1999 Correction Adjustments
Summary of Revisions Not Made	
CWC Salary Change (UTI 9-43)	(72)
1997 Income Tax True-Up Incremental Change	(775)
Inventory Adjustment (RUCO 12-5)	866
Service Quality Adjustment (RUCO 9-8, RUCO 12-3, RUCO 17-8)	1,052
Reclass of Restricted Stock (RUCO 18-4)	(362)
Payphone (APA 1-1; <u>ACC Decision No. 61304</u>)	776
Olympic Sponsorship (RUCO 14-1)	666
Affiliate Interest True-Up (UTI 32-37)	(541)
USWIT Payments for Software Licenses (UTI 13-15)	(925)
PCS Revenue Adjustment (UTI 23-19)	(692)
Wireless Billing & Collection Revenues (RUCO 8-9)	(1,215)
Pension Asset Incremental Change (UTI 20-6)	350
Prepays (UTI 20-2)	237
Federal USF Decrease	1,590
U S WEST.net Referrals (UTI 29-20)	(690)
Remove Internet Access	(224)
Total Adjustments	<u><u>41</u></u>

U S WEST
Arizona Intrastate Operations
Income to Revenue Multiplier
Test Year Ending June 30, 1998
\$(000)

1	Gross Intrastate Revenue	100.00%
2	Less: Uncollectible Revenue	1.032%
3	Total Revenue (L1-L2)	98.9680%
4	Less: Taxes on Local Revenue Service	0.1124%
5	Taxable Income (L3-L4)	98.8556%
6	Less: Effective State Income Tax (L5 * 8.00%)	7.9084%
7	Less: Effective Federal Income Tax (L5 * 32.20%)	31.8315%
8	Net Operating Earnings (L5-L6-L7)	59.1156%
9	Income to Revenue Multiplier (L1 / L8)	1.6916

The Revenue Multiplier has been corrected to show the appropriate Statutory Income Tax Rates. Specifically, Federal Income Taxes are no longer a statutory deduction for State Income Tax purposes.

Date: December 1, 1999

	A	B
	Original Cost	Fair Value
1 Adjusted Rate Base (a)	1,473,960	1,736,699
2 Adjusted Net Operating Income (b)	73,596	73,596
3 Current Rate of Return (L.2/L.1)	4.99%	4.24%
4 Required Operating Income (L.1*L5)	158,322	186,544
5 Required Rate of Return (c)	10.74%	10.74%
6 Operating Income Deficiency (L.4-L.2)	84,726	112,948
7 Gross Revenue Conversion Factor (d)	<u>1.6808</u>	<u>1.6808</u>
8 Increase in Gross Revenue Requirements (L.6*L7)	<u>142,406</u>	<u>189,840</u>
9 Three Year Revenue Requirement	83,336	83,336
10 Adjusted Revenue Requirement (Out of Period Accounting Adjustments)	(18,013)	(18,013)
11 Total Increase in Revenue Requirement (L8+L9+L10)	<u>207,729</u>	<u>255,163</u>
Customer Classification	<u>Projected Revenue Increase due to Rates</u>	<u>Percent Increase</u>
12 Exchange and Network Services	25,754 (e)	3.39%
13 Competitive Services	44,047	46.61%
14 Services Catalog	0	0.00%
15 Private Line Transport Services	7,099	19.02%
16 Access Services	(5,814)	-8.46%
17 Advanced Communications Services	0	0.00%
18 Special Assembly	0	0.00%
19 Total Gross Revenues (Lines 12-19)	71,087	7.19%

Supporting Schedules:
 (a) B-1
 (b) C-1
 (c) D-1
 (d) C-3
 (e) H-1

Recap Schedules:
 None

Date: December 1, 1999

Description	A		B	C		D		E		F
	Prior Years			Test Year Ended		June 30, 1998		Projected Year Ended		YTD 09/98 Annualized
	1996	1997	Actual	Pro Forma	Rev. Rqmt.	Present	Proposed	Rates	Rates	
	(a)	(a)	(a)	(b)	(b)	(c)	(c)			
1 Gross Revenues	1,007,752	1,079,972	1,123,866	1,110,724	0	1,145,056	1,215,943			
2 Uncollectible Revenue, Operating Expenses and Taxes	940,994	992,175	1,013,247	1,037,075	55,059	1,013,096	1,117,221			
3 Operating Income (L.1-2)	66,758	87,797	110,620	73,596	(55,059)	131,960	98,722			
4 Other Income and Deductions	(19,015)	(7,166)	6,168	7,215	0	20,228	20,228			
5 Interest Expense	46,726	43,419	40,791	45,716	0	40,071	40,071			
6 Net Income (L.3-4-5)	\$39,047	\$51,544	\$63,661	\$20,666	(\$55,059)	\$71,661	\$38,422			
7 Earned per Average Common Share	N/A	N/A	N/A	N/A		N/A	N/A			
8 Dividends per Common Share	N/A	N/A	N/A	N/A		N/A	N/A			
9 Payout ratio	100.00%					N/A	N/A			
10 Return on Average Invested Capital	6.02%	7.15%	8.05%	5.12%	-4.25%	8.62%	6.05%			
11 Return on Year End Capital	4.82%	5.50%	5.87%	3.73%	-3.10%	6.28%	4.41%			
12 Return on Average Common Equity	5.43%	6.95%	8.57%	2.78%	-7.40%	9.63%	5.16%			
13 Return on Year End Common Equity	3.90%	5.04%	6.11%	1.98%	-5.28%	6.88%	3.69%			
14 Times Bond Interest Earned (Before Federal Income Taxes)	2.03	2.80	3.58	2.36	-	4.01	3.18			
15 Times Total Interest Earned (After Income Taxes)	1.84	2.19	2.56	1.45	-	2.79	1.96			

Supporting Schedules:

- (a) E-2
- (b) C-1
- (c) F-1

Note: (N/A) Not Available

U S WEST COMMUNICATIONS, INC.
 ARIZONA INTRASTATE OPERATIONS
 TEST YEAR ENDING JUNE 30, 1998
 \$(000)

Arizona Regulation R-14 Filing

Schedule B-1, Page 1 of 1
 Title: Summary of Original Cost and Fair Value
 Rate Base Elements

Date: December 1, 1999

	A	B
	As of June 30, 1998	
	Original Cost Rate Base* (a)	Fair Value Rate Base* (b)
1 Plant in Service	3,447,574	3,937,682
2 Less - Depreciation Reserve	1,667,713	1,895,086
3 Net Plant in Service	1,779,861	2,042,597
4 Short Term Plant Under Construction	0	0
5 Materials and Supplies	16,737	16,737
6 Allowance for Cash Working Capital	(36,041)	(36,041)
7 Deferred Income Taxes	319,803	319,800
8 Customer Deposits	8,525	8,525
9 Land Development Agreement Deposits	21,629	21,629
10 Other Assets and Liabilities	63,359	63,359
11 Total Rate Base (L.3 thru 6 less 7 thru 9)	1,473,960	1,736,698

* Including Commission, Accounting, and Pro Forma Adjustments

Supporting Schedules:

- (a) B-2
- (b) B-3

Recap Schedule:

A-1

**Summary of Revenues by Customer Classification
 Present and Proposed Rates**

Customer Classification	Revenues in the Test Year				Proposed Change	
	Present Rates (a)	Proposed Rates (b)	Straight Reprice Amount (c)	Demand Reprice Amount (d)	% (e)	
1. Exchange & Network Services	\$759,524,729	\$785,278,866	\$25,754,137	\$25,754,137	3.39%	
2. Competitive Services	\$94,502,427	\$138,549,845	\$44,047,418	\$44,047,418	46.61%	
3. Services Catalog	\$26,582,768	\$26,582,768	\$0	\$0	0.00%	
4. Private Line Transport Services	\$37,324,432	\$44,423,571	\$7,099,139	\$7,099,139	19.02%	
5. Access Services	\$68,690,308	\$62,876,367	(\$5,813,941)	(\$5,813,941)	-8.46%	
6. Advanced Communications Services	\$2,216,763	\$2,216,763	\$0	\$0	0.00%	
7. Special Assembly	\$167,622	\$167,622	\$0	\$0	0.00%	
Total Gross Revenues (Lines 1-7)	\$989,009,051	\$1,060,095,803	\$71,086,753	\$71,086,753 (f)	7.19%	

Supporting Schedules:
 (a - m) H-2

Recap Schedule:
 (d - f) A-1

**Analysis of Revenues by Detailed Class of Service
 Present and Proposed Rates**

Class of Service	Revenues in the Test Year		Proposed Change		
	Present Rates (a)	Proposed Rates (b)	Straight Reprice Amount (c)	Demand Reprice Amount (d)	% (e)
EXCHANGE & NETWORK SERVICES					
1. Section 2 & 3 Service Charges & Residence Nonrecurring Decrease	\$54,387,312	\$46,653,282	(\$7,734,030)	(\$7,734,030)	-14.22%
2. Zone Connection Charges	\$5,052,547	\$0	(\$5,052,547)	(\$5,052,547)	-100.00%
EXCHANGE SERVICES					
3. Basic Exchange Services	\$525,790,096	\$570,919,978	\$45,129,882	\$45,129,882	8.58%
4. Public Access Line Service (PAL)	\$5,973,223	\$6,181,243	\$208,020	\$208,020	3.48%
5. Obsolete Public Access Line Service (PAL)	\$211,124	\$0	(\$211,124)	(\$211,124)	-100.00%
6. Ancillary Services	\$167,764,484	\$160,004,160	(\$7,760,325)	(\$7,760,325)	-4.63%
7. Obsolete Ancillary Services	\$345,943	\$1,520,203	\$1,174,260	\$1,174,260	339.44%
8. TOTAL EXCHANGE & NETWORK SERVICES (f) (Lines 1 - 7)	\$759,524,729	\$785,278,866	\$25,754,137	\$25,754,137	3.39%
COMPETITIVE SERVICES					
MESSAGE TELECOMMUNICATIONS SERVICES (MTS)					
9. Two-Point MTS & Operator Services	\$32,519,868	\$77,784,184	\$45,264,317	\$45,264,317	139.19%
10. METROPAC, Volume Disc and OCPs	\$8,792,667	\$4,725,010	(\$4,067,658)	(\$4,067,658)	-46.26%
11. WATS Service	\$886,623	\$886,623	\$0	\$0	0.00%
12. Obsolete MTS	\$485	\$2,855,396	\$2,854,911	\$2,854,911	588884.28%
13. Total MTS Services (Lines 9 - 12)	\$42,199,643	\$86,251,213	\$44,051,570	\$44,051,570	104.39%
14. Centron/Centrex	\$10,993,621	\$10,993,621	\$0	\$0	0.00%

**Analysis of Revenues by Detailed Class of Service
 Present and Proposed Rates**

	Class of Service	Revenues in the Test Year		Proposed Change		
		Present Rates	Proposed Rates	Straight Reprice	Demand Reprice	
		(a)	(b)	Amount (c)	Amount (d)	% (e)
15.	Wire Maintenance Services	\$40,479,986	\$40,479,986	\$0	\$0	0.00%
16.	Miscellaneous Competitive Services	\$455,855	\$451,703	(\$4,152)	(\$4,152)	-0.91%
17.	Obsolete Competitive Services	\$373,323	\$373,323	\$0	\$0	0.00%
18.	TOTAL COMPETITIVE SERVICES (g) (Lines 13 - 17)	\$94,502,427	\$138,549,845	\$44,047,418	\$44,047,418	46.61%
19.	SERVICES CATALOG (h)	\$26,582,768	\$26,582,768	\$0	\$0	0.00%
20.	PRIVATE LINE SERVICES (i)	\$37,324,432	\$44,423,571	\$7,099,139	\$7,099,139	19.02%
21.	ACCESS SERVICES (j)	\$68,690,308	\$62,876,367	(\$5,813,941)	(\$5,813,941)	-8.46%
22.	ADVANCED COMMUNICATIONS (k)	\$2,216,763	\$2,216,763	\$0	\$0	0.00%
23.	SPECIAL ASSEMBLY (l)	\$167,622	\$167,622	\$0	\$0	0.00%
24.	TOTAL GROSS REVENUES (m) (Lines 8, 18 - 23)	\$989,009,051	\$1,060,095,803	\$71,086,753	\$71,086,753	7.19%

Supporting Schedules:
 (a - m) H-2

Recap Schedule:
 (f - m) H-1

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

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)
:)
STATE OF COLORADO)
COUNTY OF DENVER)

DOCKET NO.T-01051B-99-0105
AFFIDAVIT OF
GEORGE REDDING

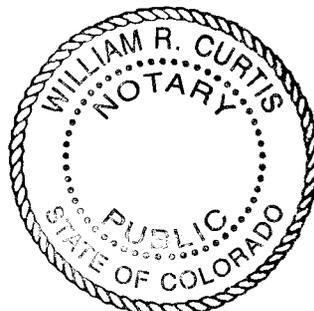
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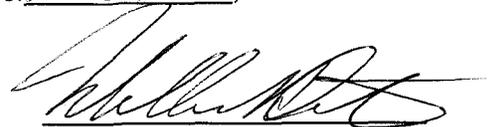
George Redding, of lawful age being first duly sworn, deposes and states:

1. My name is George Redding. I am Director – Regulatory Accounting of U S WEST Communications in Denver, Colorado.
2. Attached hereto and made a part hereof for all purposes is my testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.


George Redding

SUBSCRIBED AND SWORN to before me this 22nd day of NOVEMBER, 1999.




Notary Public

My Commission Expires:

My Commission Expires 10/28/2003