

(Decision No. C92-943)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

| | |
|-------------------------------------|-------------------------|
| RE: IN THE MATTER OF THE JOINT) | DOCKET NO. 92A-344T |
| APPLICATION OF U S WEST COMMUNI-)) | |
| CATIONS, INC., AND WIGGINS) | ORDER GRANTING VERIFIED |
| TELEPHONE ASSOCIATION FOR) | JOINT APPLICATION AND |
| AUTHORITY TO TRANSFER SERVICE) | REQUEST FOR EXPEDITED |
| TERRITORY.) | TREATMENT |

Mailed Date: August 4, 1992
Adopted Date: July 31, 1992

STATEMENT

BY THE COMMISSION:

On June 25, 1992, U S WEST Communications, Inc. ("U S WEST"), and Wiggins Telephone Association ("Wiggins") filed their Verified Joint Application and Request for Expedited Treatment ("Application"). U S WEST and Wiggins request that the Application be granted on an expedited basis. Furthermore, U S WEST seeks permission from the Colorado Public Utilities Commission ("Commission") to transfer to Wiggins certain operating territory of U S WEST located in the Northeast Section of Colorado along the Wyoming border and containing the communities of South Pine Bluffs and Hereford, said territory being described on the map attached to the Application as Exhibit A ("Territory"). All of the facts in the Application are verified by both U S WEST and Wiggins.

Also attached to the Application are: Exhibit B, a Memorandum of Understanding between U S WEST and Wiggins outlining the specifics of the proposed transfer; Exhibit C, a letter from the Commission Staff reflecting an agreement among the Staff of the Commission ("Staff"), the Colorado Office of Consumer Counsel ("OCC"), Wiggins, and U S WEST on a set of regulatory treatments to be applied in connection with the proposed transfer; Exhibit D, balance sheets of U S WEST; Exhibit E, balance sheet of Wiggins; Exhibit F, statements of income and retained earnings of U S WEST; Exhibit G, statements of income and retained earnings of Wiggins.

At the July 1, 1992, Open Meeting, the Commission approved by Minute Entry the U S WEST and Wiggins request that the Application be considered on an expedited basis. Also, on July 1, 1992, the Commission issued its Notice of Applications Filed establishing this docket and providing notice in accordance with Rule 63(g) of the Commission's Rules of Practice and Procedure. No motions or petitions for intervention have been received and therefore

pursuant to Rule 24, (4 CCR 723-10) the Commission may decide this matter without hearing.

On July 17, 1992, U S WEST and Wiggins filed a Motion for Approval of Notice Pursuant to § 40-3-104(1)(c)(I)(D), C.R.S. In this motion, U S WEST and Wiggins sought approval from the Commission of certain additional notice, in the form of signed petitions and mailed notice, to affected customers in the Territory.

After considering all of the foregoing, the Commission makes the following findings.

FINDINGS

The Application which is verified, and all of the attachments thereto provide a sufficient evidentiary basis for the Commission to rule on the Application in an expedited fashion.

The notice provided by the Commission on July 1, 1992, and the additional notice provided by U S WEST and Wiggins, as described in their Motion for Approval of Notice pursuant to § 40-3-104(1)(c)(I)(D), C.R.S., are adequate and sufficient. The notice described in the motion is approved.

U S WEST is a corporation organized and existing under the laws of the State of Colorado with its principal place of business located at 1005 17th Street, Room 200, Denver, Colorado 80202. Wiggins Telephone Association is a cooperative organized and existing under the laws of the State of Colorado with its principal place of business located at 414 Main Street, Wiggins, Colorado 80654.

The Territory, which is located within Colorado, is nevertheless situated within the boundaries of U S WEST's Carpenter and Pine Bluffs, Wyoming exchanges, both of which are situated in the Wyoming LATA. The Territory is surrounded by the service area of Wiggins.

U S WEST is willing to upgrade the facilities in the Territory to provide one-party service in this area. However, this would not resolve most of the concerns of customers in the Territory that they would still be located in the Wyoming LATA.

Grover, Colorado, which is situated within the present serving area of Wiggins is the appropriate community of interest of customers located in the Territory. The schools, county government, and other interests of affected customers in the Territory are located in Grover. At the present time, in order to call communities of interest, these customers must make an interLATA toll call.

Since affected customers in the Territory are served from Wyoming, they are deprived of the benefits of the Switch and Facilities Enrichment Program and the Local Calling Area Plan which have been adopted by the Commission.

Wiggins is ready, willing, and able to provide service to customers in the Territory. Wiggins is able to provide more appropriate and valuable service to these customers because it can reasonably provide local access to these customers' community of interest.

U S WEST wishes to address the concerns of customers in the Territory. Wiggins is in a better position to satisfy the concerns of these customers due to the unique circumstances related to the Territory. U S WEST has agreed to sell the Territory to Wiggins at a loss, solely for the purpose of resolving the problems created by this unusual serving arrangement, i.e., location in the Wyoming LATA, service from Wyoming central offices, and a community of interest in Wiggins' service area. The Memorandum of Understanding, attached as Exhibit "B" to the Application, outlines the specifics of the proposed sale. The Commission finds those terms and conditions to be just, reasonable, and in the public interest.

The Staff, the OCC, Wiggins, and U S WEST have agreed to a set of regulatory and accounting treatments to be applied in connection with the transfer of facilities as set forth in Exhibit "C" to the Application, a copy of which is also attached to this decision. These regulatory and accounting treatments are designed to assure U S WEST and Wiggins that the sale of the Territory will be treated equitably in future regulatory proceedings.

Based upon the balance sheets and statements of income and retained earnings for U S WEST and Wiggins attached to the Application, the Commission finds that U S WEST's financial condition will not be materially or adversely affected by the transaction and that Wiggins has the financial strength and capability to purchase the Territory from U S WEST and to provide service to affected customers therein.

Customers located within the Territory will be provided service and will be charged rates in accordance with the tariffs of Wiggins on file with the Commission after the companies' receipt of all additional necessary approvals or reviews from regulatory authorities and/or the courts, and upon being physically connected to the Wiggins facilities.

By filing this Joint Application, U S WEST does not admit or acknowledge that it is unable to serve customers in the Territory. In addition, the Application is not understood or construed to state or imply U S WEST is not fit, ready, and willing to enforce its rights to meet any and all of its service obligations in its

service areas throughout Colorado. The transfer of the Territory is being proposed and undertaken solely because of the unique characteristics of the Territory which render it more appropriate for Wiggins to provide service to the customers located therein.

Based upon the foregoing, the Commission finds that the public interest and welfare will be promoted by the proposed transfer of the Territory from U S WEST to Wiggins, that the proposed transfer will not adversely impact the public switched networks of either company or either company's financial integrity, and that the proposed transfer should be approved by the Commission.

THEREFORE THE COMMISSION ORDERS THAT:

1. The proposed transfer of the Territory by U S WEST Communications, Inc., to Wiggins Telephone Association, in accordance with the terms of the Memorandum of Understanding between U S WEST Communications, Inc., and Wiggins Telephone Association attached to the Application and to this Decision as Exhibit "B", is approved subject to receipt of all additional necessary approvals or reviews from regulatory authorities and/or the courts, including, but not limited to, the Federal Communications Commission, the Wyoming Public Service Commission, and the Department of Justice.

2. U S WEST Communications, Inc., and Wiggins Telephone Association are authorized to proceed with the transfer after obtaining any additional necessary approval or reviews from other regulatory authorities and/or the courts. A quarterly report detailing the progress made in obtaining these additional approvals and/or reviews shall be filed with the Colorado Public Utilities Commission beginning November 1, 1992.

3. The regulatory treatment stated in the Staff Accounting Letter dated June 19, 1992 and attached to this Decision is approved, subject to receipt of all additional necessary approvals or reviews from regulatory authorities and/or the courts, including, but not limited to, the Federal Communications Commission, the Wyoming Public Service Commission, and the Department of Justice and compliance with filing requirements in this Decision and Order.

OK 4. Within 30 days of the mailed date of this Order, U S WEST Communications, Inc., and Wiggins Telephone Association are directed to file with the Commission a written plan detailing the process to be followed to insure that continuity of service and quality of service will be maintained throughout the transfer process.

OK 5. Wiggins Telephone Association shall file, within 30 days after the mailed date of this Decision, a copy of its plan

detailing the construction necessary and scheduling thereof to effect this transfer and upgrade service.

6. U S WEST Communications, Inc., will perform a physical inventory to determine the exact net book value of plant sold prior to the performance of the Commission Staff audit described herein.

7. Wiggins Telephone Association shall be entitled to book a negative acquisition adjustment for any difference in the acquisition price and the net book value of the assets. The exact net book value of plant sold and amount of said difference will be verified by Commission Staff audit prior to the consummation of the transfer.

8. U S WEST Communications, Inc., and Wiggins Telephone Association shall submit the book entries recording the transfer and acquisition respectively herein to the Commission Staff for review within 90 days of the transfer for the Territory herein.

9. Customers located within the Territory will be provided service and will be charged rates in accordance with the tariffs of Wiggins on file with the Commission after the companies' receipt of all additional necessary approvals or reviews from regulatory authorities and/or the courts, and upon being physically connected to the Wiggins facilities.

10. The 20-day time period provided for by § 40-6-114(1), C.R.S., to file an application for rehearing, reargument, or reconsideration begins on the first day after the mailing or serving of this Decision and Order.

This Order is effective on its Mailed Date.

ADOPTED IN SPECIAL OPEN MEETING July 31, 1992.

(S E A L)



ATTEST: A TRUE COPY

Bruce N. Smith
Bruce N. Smith
Executive Secretary

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

ROBERT E. TEMMER

GARY L. NAKARADO

CHRISTINE E. M. ALVAREZ

Commissioners

SJ:srs

STATE OF COLORADO

PUBLIC UTILITIES COMMISSION

Arnold H. Cook, Chairman
Gary L. Nakarado, Commissioner
Christine E. Alvarez, Commissioner
Bruce N. Smith, Executive Secretary

Department of Regulatory Agencies

Steven V. Berson
Executive Director



Roy Romer
Governor

June 19, 1992

John P. Scully
Colorado Vice President
U S WEST Communications, Inc.
1005 Seventeenth Street
Denver, CO 80202

RE: Staff Accounting Letter relating to the Sale
of the Hereford and South Pine Bluffs, Colo.
Exchanges by U S WEST Communications (USWC) to
Wiggins Telephone.

Dear Mr. Scully:

Per the verbal request of Mr. Gary Fleming, the Staff of the Colorado Public Utilities Commission (Staff) has reviewed the proposed regulatory and accounting treatments related to this sale.

BACKGROUND

1. USWC wishes to address the concerns of customers in the Hereford/South Pine Bluffs service territories currently served out of central offices located in Wyoming.
2. USWC's Hereford/South Pine Bluffs service territory in Colorado is surrounded by the area served by Wiggins.
3. USWC could upgrade the facilities to provide one party service in this area, but the customers would still be served out of the Wyoming central office. This would deprive these customers of the benefits of the Switch and Facilities Enhancement (SAFE) program and the Local Calling Area Plan (LCAP) recently adopted by the Commission. This problem is compounded by the fact that the customers in this area have stated that their community of interest is in Colorado not Wyoming.
4. USWC in an effort to satisfy these customers' needs, has agreed to sell this service territory at a loss.

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June 19, 1992
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5. Representatives from the Office of Consumer Counsel (OCC) and Staff have been involved in reviewing this proposed transaction between USWC and Wiggins Telephone.
6. The characteristics of the Herford/South Pine Bluffs Exchange are unique for the preceding reasons. USWC's agreement to sell this exchange at a loss is designed solely for the purpose of resolving the problems created by this unusual service arrangement.

STATEMENT OF AUTHORIZATION/CONCURRENCE

The purpose of this statement is to outline the basic elements of the sale, as well as the associated regulatory and accounting treatments. Staff and the OCC have worked with the parties to assist in identifying the proper regulatory procedures and accounting approaches reasonable for these circumstances. This statement is designed solely for the purpose of outlining the recommended regulatory and accounting disposition of this transaction. The position stated in this letter is given by the Staff, but does not bind the Commissioners or their Administrative Law Judges in future decisions on these matters. Staff acknowledges and the parties concur that these recommendations are designed to resolve matters unique to this sale and do not set a precedent for any future transactions.

1. Staff acknowledges that USWC will sell its Hereford/South Pine Bluffs service territories to Wiggins for \$150,000.
2. Wiggins should be authorized to amortize the net book value of the acquired plant over three years.
3. Wiggins should be authorized to amortize the negative acquisition adjustment over a three year period.
4. Wiggins should be authorized to include as a component of its' intrastate rate base the acquired rate base including the depreciation reserve and the associated amortization in any rate filing before the CPUC.
5. Wiggins should be authorized to include the negative acquisition adjustment and associated amortization related to the acquired telephone plant as a component of intrastate rate base in any rate filing before the CPUC during the next three years.
6. Wiggins should be authorized to pro forma in the impacts of the purchase of this service territory provided that: final regulatory approval has been acquired, title has been

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transferred, Wiggins has begun to provide service, and subscribers are client/members of Wiggins; in their next rate case. The pro forma adjustment will reflect at a minimum, the impacts of including the net plant and negative acquisition adjustment in rate base; associated amortizations as well as the related revenues in the income statement; and the new plant investment being made by Wiggins at the time it is providing service to ratepayers. Wiggins will include a pro forma adjustment reflecting the end of the amortization of the plant and related negative acquisition adjustment in any rate filing in which the end of the amortizations will occur prior to the point at which rates from the case become effective.

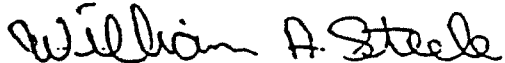
7. Wiggins should be required to follow the prescribed CPUC Cost Allocation Rules for Telecommunications Service and Telephone Utilities Providers (4 CCR 723-27) in establishing local and toll access rates for the Hereford/South Pine Bluffs Purchase.
8. Staff acknowledges that Wiggins will request FCC permission to include the interstate assignment of the negative acquisition adjustment and related amortization in its interstate rate filings. USWC will prepare this filing on behalf of Wiggins and will provide a copy to Commission Staff and the OCC.
9. USWC should be authorized to amortize an amount equal to the intrastate portion of the loss it incurs on the sale of the property over the same three year period during which Wiggins amortizes the negative acquisition adjustment. USWC will immediately write off the interstate portion of the loss on the sale.
10. USWC will perform a physical inventory to determine the exact net book value of plant sold.
11. Attached are copies of representative journal entries to be used by USWC and Wiggins. Additionally, a memorandum is attached indicating USWC Accounting Standards concurrence with the proposed accounting treatment of this transaction.
12. The exact final net book value of plant sold will be subject to verification by Staff audit prior to the consummation of the sale.

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June 19, 1992
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13. Staff acknowledges that the sale of this service territory at a loss is a management decision by USWC to resolve the unique service problems in this territory and does not set a precedent for any future sale of exchanges.

If you need any additional clarification, please feel free to contact us.

Very Truly Yours,



William A. Steele
Acting Chief of Fixed Utilities

ATTACHMENTS: Journal Entries

STATEMENT OF CONCURRENCE

We have read the above letter and concur that these are appropriate accounting treatments for the described transaction.

WIGGINS TELEPHONE ASSOCIATION

Dwight E. Schmitt

U S WEST Communications, Inc.

Lonny F.

OFFICE OF CONSUMER COUNSEL

Paul R. McDaniel

CC: Bruce N. Smith
Robert E. Temmer
James A. Richards

M E M O R A N D U M

TO: Gary Fleming

FROM: Patty Dwornicki ^{DD}
Janeane Wilson ^{JW}

DATE: June 10, 1992

RE: Sale of Plant with Traffic to Wiggins Telephone Association

This memo responds to your request that Accounting Standards review the proposed accounting treatment in the Statement of Concurrence Relating to the Sale of the Hereford, Colorado and South Pine Bluffs, Colorado Exchanges.

We concur with the accounting treatment of the transaction as described in the Summary of Accounting Entries in the Statement of Concurrence dated June 8, 1992. For FCC reporting purposes, the difference between the sales price and the net book value of the telephone plant sold will be recorded as a loss to Account 7350, Gains or Losses from the Disposition of Certain Property. For intrastate reporting purposes, the intrastate portion of the loss will be recorded as a jurisdictional difference in Account 1439, Deferred Charges, and amortized over three years to Account 7160, Other Operating Gains and Losses.

We do not believe that it is necessary that our external auditors, Coopers & Lybrand, review the accounting treatment. The transaction amount is not material in relation to our total telephone plant and the accounting treatment does not appear to be unusual from a generally accepted accounting principles standpoint.

If you have questions regarding this issue, please call Patty on (402) 422-2288 or Janeane on (402) 422-2229.

U S West Communications - Colorado Operations
 Sale of Plant with Traffic to Wiggins
 Summary of Accounting Entries

| WIGGINS ----- | | | |
|---|----------------------------|-----------|---------|
| Account | Description | DR | CR |
| (1) | | | |
| 2001 | Plant in Service | 1,000,000 | |
| 1130 | Cash | | 150,000 |
| 3100 | Accumulated Depreciation | | 330,000 |
| 2005 | Telephone Plant Adjustment | | 520,000 |
| To record acquisition of Plant with Traffic | | | |
| ----- | | | |
| (2) | Years 1 thru 3 | | |
| 6561 | Depreciation Expense | 223,333 | |
| 3100 | Accumulated Depreciation | | 223,333 |
| To record annual Depreciation Expense: (\$150,000 + \$520,000)/3 | | | |
| 3600 | Accum Deprec-Other | 173,333 | |
| 6565 | Amortization Expense | | 173,333 |
| To record amortization of acquisition adjustment: (\$520,000/3) | | | |

| USWC ----- | | | |
|---|--------------------|---------|-----------|
| Account | Description | DR | CR |
| (1) | | | |
| 1130 | Cash | 150,000 | |
| 3100 | Accum Depreciation | 330,000 | |
| 7350 | Loss | 520,000 | |
| 2001 | Plant in Service | | 1,000,000 |
| To record loss on sale of Plant with Traffic | | | |
| ----- | | | |
| 1439 | Deferred Charge | 338,000 | |
| 7350 | Loss | | 338,000 |
| (NOTE 1) To reverse intrastate portion of recorded loss | | | |
| ----- | | | |
| (2) | Years 1 thru 3 | | |
| 7160 | Loss | 112,666 | |
| 1439 | Deferred Charge | | 112,666 |
| To amortize loss over three years. | | | |

NOTE 1: Intrastate amounts are estimated.

MEMORANDUM OF UNDERSTANDING
RELATING TO THE SALE OF THE
HEREFORD, COLORADO AND SOUTH PINE BLUFFS, COLORADO EXCHANGES

Wiggins Telephone Association ("Wiggins"), a cooperative organized under the Laws of the State of Colorado, and U S West Communications, Inc. ("USWC"), a corporation organized under the Laws of the State of Colorado hereby inter into this Memorandum of Understanding. This Memorandum of Understanding may refer to Wiggins or to USWC as a Party ("Party") to this Agreement.

WHEREAS, both USWC and Wiggins are providers of telecommunications services in the State of Colorado; and

WHEREAS, USWC provides telecommunications services to the Hereford, Colorado and South Pine Bluffs, Colorado exchanges; and

WHEREAS, USWC and Wiggins have been involved in the negotiations of a potential sale of the above mentioned exchanges to Wiggins.

NOW THEREFORE, the Parties agree to the following:

SCOPE OF UNDERSTANDING

Both USWC and Wiggins would like to address the concerns and circumstances of customers in USWC's Colorado Hereford/South Pine Bluffs unique service territories. These customers are currently served out of USWC central offices located in Wyoming. Hereford/South Pine Bluffs is surrounded by the area served by Wiggins. USWC could upgrade it's facilities to provide one party service in this area, but the customers would still be served out of a Wyoming central office. Accordingly, these customers would be deprived of the benefits of the Switch And Facilities Enrichment (SAFE) program and the Local Calling Area Plan (LCAP) adopted in recent years by the Colorado Public Utilities Commission ("CPUC"). This problem is compounded by the fact that the customers in this area have stated that their community of interest is in Colorado, not Wyoming.

USWC and Wiggins agree that it is more practical and desirable, and would best serve customer's needs, for these customers to be served by Wiggins. This conclusion derives from the fact, and all parties to this memorandum agree, that the characteristics of the Hereford/South Pine Bluffs service area and the customers residing therein, are unique. In an effort to resolve the customer concerns created by the unique service characteristics of this area, USWC agrees to sell the exchange at a loss, and both parties encourage the CPUC to adopt the accounting and regulatory treatment of the transaction described herein. This sale along with the regulatory procedures described herein are designed for the purpose of resolving the specific service concerns of the customers in

EXHIBIT "B"

7. Wiggins will follow the prescribed CPUC Cost Allocation Rules for Telecommunications Service and Telephone Utilities Providers (4 CCR 723-27) in establishing local and toll access rates for the Hereford/South Pine Bluffs purchase.
8. Wiggins agrees to request FCC permission to include the interstate assignment of the acquisition adjustment and related amortization in its interstate rate filings. USWC will prepare this filing on behalf of Wiggins. Any failure of USWC to prepare the filing releases Wiggins of any obligation under this provision of the memorandum and related contract.
9. USWC agrees to immediately seek permission from the CPUC to amortize an amount equal to the intrastate portion of the loss it incurs on the sale of the property over the same three year period in which Wiggins amortized the acquisition adjustment. USWC will immediately write off the interstate portion of the loss on the sale.
10. USWC agrees to provide Wiggins with all available plant engineering records, customer billing information, current local service rates by customer and carrier access minutes for the Hereford/South Pine Bluffs purchase.

IN WITNESS WHEREOF, both Parties understand and agree to the terms of this Memorandum of Understanding:

WIGGINS TELEPHONE ASSOCIATION

Dwight E. Schmitt
SIGNATURE

Dwight E. Schmitt
NAME TYPED

General Manager - Wiggins
TITLE Telephone Association

June 24, 1992
DATE

USWC

[Signature]
SIGNATURE

John P. Scully
NAME TYPED

Colorado Vice President
TITLE

June 24, 1992
DATE