

**STEVEN C. CARVER**  
**SUMMARY OF QUALIFICATIONS**

**Education and Experience**

I graduated from State Fair Community College where I received an Associate of Arts Degree with an emphasis in Accounting. I also graduated from Central Missouri State University with a Bachelor of Science Degree in Business Administration, majoring in Accounting. Subsequent to the completion of formal education, my entire professional career has been dedicated to public utility investigations, regulatory analysis and consulting.

From 1977 to 1987, I was employed by the Missouri Public Service Commission in various professional auditing positions associated with the regulation of public utilities. In that capacity, I participated in and supervised various accounting compliance and rate case audits (including earnings reviews) of electric, gas and telephone utility companies and was responsible for the submission of expert testimony as a Staff witness.

In October 1979, I was promoted to the position of Accounting Manager of the Kansas City Office of the Commission Staff and assumed supervisory responsibilities for a staff of regulatory auditors, directing numerous rate case audits of large electric, gas and telephone utility companies operating in the State of Missouri. In April 1983, I was promoted by the Commission to the position of Chief Accountant and assumed overall management and policy responsibilities for the Accounting Department, providing guidance and assistance in the technical development of Staff issues in major rate cases and coordinating the general audit and administrative activities of the Department.

During 1986-1987, I was actively involved in a docket established by the Missouri Public Service Commission to investigate the revenue requirement impact of the Tax Reform Act of 1986 on Missouri utilities. In 1986, I prepared the comments of the Missouri Public Service Commission respecting the Proposed Amendment to FAS Statement No. 71 (relating to phase-in plans, plant abandonments, plant cost disallowances, etc.) as well as the Proposed Statement of Financial Accounting Standards for Accounting for Income Taxes. I actively participated in the discussions of a subcommittee responsible for drafting the comments of the National Association of Regulatory Utility Commissioners ("NARUC") on the Proposed Amendment to FAS

Statement No. 71 and subsequently appeared before the Financial Accounting Standards Board with a Missouri Commissioner to present the positions of NARUC and the Missouri Commission.

In July of 1983 and in addition to my duties as Chief Accountant, I was appointed Project Manager of the Commission Staff's construction audits of two nuclear power plants owned by electric utilities regulated by the Missouri Public Service Commission. As Project Manager, I was involved in the staffing and coordination of the construction audits and in the development and preparation of the Staff's audit findings for presentation to the Commission. In this capacity, I coordinated and supervised a matrix organization of Staff accountants, engineers, attorneys and consultants.

Since commencing employment with Utilitech in June 1987, I have conducted revenue requirement and special studies involving various regulated industries (i.e., electric, gas, telephone and water) and have been associated with regulatory projects on behalf of clients in twenty State regulatory jurisdictions.

### **Previous Expert Testimony**

I have continued to appear as an expert witness before the Missouri Public Service Commission on behalf of various clients, including the Commission Staff. I have filed testimony before utility regulatory agencies in Arizona, California, Florida, Hawaii, Kansas, Indiana, Nevada, New Mexico, Oklahoma, Pennsylvania, Utah, and Washington. My previous experience involving major electric company proceedings includes: PSI Energy, Union Electric (now Ameren), Kansas City Power & Light, Missouri Public Service/ UtiliCorp United (now Aquila), Public Service Company of Oklahoma, Oklahoma Gas and Electric, Hawaiian Electric, and Sierra Pacific Power/ Nevada Power.

Exhibit SCC-2 summarizes various regulatory proceedings in which I have filed testimony.

**STEVEN C. CARVER**  
**Summary of Previously Filed Testimony**  
**1978 through 2004 (November)**

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
Kansas City Power & Light	Missouri	PSC	ER-78-252	Staff	1978	Rate Base, Operating Income
Gas Service Company	Missouri	PSC	GR-79-114	Staff	1979	Rate Base, Operating Income
United Telephone of Missouri	Missouri	PSC	TO-79-227	Staff	1979	Rate Base, Operating Income, Affiliated Interest
Kansas City Power & Light	Missouri	PSC	ER-80-48	Staff	1980	Operating Income, Fuel Cost
Gas Service Company	Missouri	PSC	GR-80-173	Staff	1980	Operating Income
Southwestern Bell Telephone	Missouri	PSC	TR-80-256	Staff	1980	Operating Income
Missouri Public Service	Missouri	PSC	ER-81-85	Staff	1981	Operating Income
Missouri Public Service	Missouri	PSC	ER-81-154	Staff	1981	Interim Rates
Gas Service Company	Missouri	PSC	GR-81-155	Staff	1981	Operating Income
Gas Service Company	Missouri	PSC	GR-81-257	Staff	1981	Interim Rates
Union Electric Company	Missouri	PSC	ER-82-52	Staff	1982	Operating Income, Fuel Cost
Southwestern bell Telephone	Missouri	PSC	TR-82-199	Staff	1982	Operating Income
Union Electric Company	Missouri	PSC	ER-83-163	Staff	1983	Rate Base, Plant Cancellation Costs
Gas Service Company	Missouri	PSC	GR-83-207	Staff	1983	Interim Rates
Union Electric Company	Missouri	PSC	ER-84-168/ EO-85-17	Staff	1984 1985	Construction Audit, Operating Income

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**1978 through 2004 (November)**

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
Kansas City Power & Light	Missouri	PSC	ER-85-128/ EO-85-185	Staff	1983 1985	Construction Audit, Rate Base, Operating Income
St. Joseph Light & Power	Missouri	PSC	EC-88-107	Public Counsel	1987	Rate Base, Operating Income
Northern Indiana Public Service	Indiana	IURC	38380	Consumer Counsel	1988	Operating Income
US West Communications	Arizona	ACC	E-1051-88-146	Staff	1989	Rate Base, Operating Income
Dauphin Consol. Water Supply Co.	Pennsylvania	PUC	R-891259	Staff	1989	Rate Base, Operating Income, Rate Design
Southwest Gas Corporation	Arizona	ACC	E-1551-89-102 E-1551-89-103	Staff	1989	Rate Base, Operating Income
Southwestern Bell Telephone	Missouri	PSC	TO-89-56	Public Counsel	1989 1990	Intrastate Cost Accounting Manual
Missouri Public Service	Missouri	PSC	ER-90-101	Public Counsel/ Staff	1990	UtiliCorp United Corporate Structure/ Diversification
City Gas Company	Florida	PSC	891175-GU	Public Counsel	1990	Rate Base, Operating Income, Acquisition Adjustment
Capital City Water Company	Missouri	PSC	WR-90-118	Jefferson City	1991	Rehearing - Water Storage Contract
Southwestern Bell Telephone Company	Oklahoma	OCC	PUD-000662	Attorney General	1991	Rate Base, Operating Income
Public Service of New Mexico	New Mexico	PSC	2437	USEA	1992	Franchise Taxes
Citizens Utilities Company	Arizona	ACC	ER-1032-92- 073	Staff	1992 1993	Rate Base, Operating Income
Missouri Public Service Company	Missouri	PSC	ER-93-37	Staff	1993	Accounting Authority Order

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**Summary of Previously Filed Testimony**  
**1978 through 2004 (November)**

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
Public Service Company of Oklahoma	Oklahoma	OCC	PUD-1342	Staff	1993	Rate Base, Operating Income, Acquisition Adjustment
Hawaiian Electric Company	Hawaii	PUC	7700	Consumer Advocate	1993	Rate Base, Operating Income
US West Communications	Washington	WUTC	UT-930074, 0307	Public Counsel/ TRACER	1994	Sharing Plan Modifications
US West Communications	Arizona	ACC	E-1051-93-183	Staff	1994	Rate Base, Operating Income
PSI Energy, Inc.	Indiana	IURC	39584	Consumer Counselor	1994	Operating Income, Capital Structure
Arkla, a Division of NORAM Energy	Oklahoma	OCC	PUD-940000354	Attorney General	1994	Rate Base, Operating Income
Kauai Electric Division of Citizens Utilities Company	Hawaii	PUC	94-0097	Consumer Advocate	1995	Hurricane Iniki Storm Damage Restoration
Oklahoma Natural Gas Company	Oklahoma	OCC	PUD-940000477	Attorney General	1995	Rate Base, Operating Income
US West Communications	Washington	WUTC	UT-950200	Attorney General/ TRACER	1995	Rate Base, Operating Income
PSI Energy, Inc.	Indiana	IURC	40003	Consumer Counselor	1995	Rate Base, Operating Income
GTE Hawaiian Tel; Kauai Electric - Citizens Utilities Co.; Hawaiian Electric Co.; Hawaii Electric Light Co.; Maui Electric Company	Hawaii	PUC	PUC 95-0051	Consumer Advocate	1996	Self-Insured Property Damage Reserve

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**Summary of Previously Filed Testimony**  
**1978 through 2004 (November)**

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
GTE Hawaiian Telephone Co., Inc.	Hawaii	PUC	PUC 94-0298	Consumer Advocate	1996	Rate Base, Operating Income
Oklahoma Gas and Electric Company	Oklahoma	OCC	PUD-960000116	Attorney General	1996	Rate Base, Operating Income
Public Service Company	Oklahoma	OCC	PUD-0000214	Attorney General	1997	Rate Base, Operating Income
Arizona Telephone Company (TDS)	Arizona	ACC	U-2063-97-329	Staff	1997	Rate Base, Operating Income, Affiliate Transactions
US West Communications	Utah	UPSC	97-049-08	Committee of Consumer Services	1997	Rate Base, Operating Income
Missouri Gas Energy	Missouri	PSC	GR-98-140	Public Counsel	1998	Revenues, Uncollectibles
Sierra Pacific Power Company	Nevada	PUCN	98-4062 98-4063	Utility Consumers Advocate	1999	Sharing Plan
Hawaii Electric Light Co., Power Purchase Agreement (Encogen)	Hawaii	PUC	PUC 98-0013	Consumer Advocate	1999	Keahole CT-4/CT-5 AFUDC, Avoided Cost
Kansas City Power & Light Company	Missouri	MoPSC	EC-99-553	GST Steel Company	1999	Complaint Investigation
US West Communications	New Mexico	NM PRC	3008	PRC Staff	2000	Rate Base, Operating Income
Hawaii Electric Light Company	Hawaii	PUC	PUC 99-0207	Consumer Advocate	2000	Keahole pre-PSD Common Facilities
US West/ Qwest Communications	Arizona	ACC	T-1051B-99-105	Staff	2000	Rate Base, Operating Income
The Gas Company	Hawaii	PUC	00-0309	Consumer Advocate	2001	Rate Base, Operating Income, Nonreg Svcs.

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**Summary of Previously Filed Testimony**  
**1978 through 2004 (November)**

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
Craw-Kan Telephone Cooperative, Inc.	Kansas	KCC	01-CRKT-713-AUD	KCC Staff	2001	Rate Base, Operating Income
Home Telephone Company, Inc.	Kansas	KCC	02-HOMT-209-AUD	KCC Staff	2002	Rate Base, Operating Income
Wilson Telephone Company, Inc.	Kansas	KCC	02-WLST-210-AUD	KCC Staff	2002	Rate Base, Operating Income
SBC Pacific Bell	California	PUC	01-09-001 / 01-09-002	Office of Ratepayer Advocate	2002	New Regulatory Framework / Earnings Sharing Investigation
JBN Telephone Company	Kansas	KCC	02-JBNT-846-AUD	KCC Staff	2002	Rate Base, Operating Income
Kerman Telephone Company	California	PUC	02-01-004	Office of Ratepayer Advocate	2002	General Rate Case, Affiliate Lease, Nonregulated Transactions
S&A Telephone Company	Kansas	KCC	03-S&AT-160-AUD	KCC Staff	2003	Rate Base, Operating Income, Nonreg Alloc
PSI Energy, Inc.	Indiana	IURC	42359	Consumer Counselor	2003	Rate Base, Operating Income, Nonreg Alloc
Arizona Public Service Company	Arizona	ACC	E-10345A-03-0437	ACC Staff	2004	Rate Base, Operating Income
Qwest Corporation	Arizona	ACC	T-01051B-03-0454 & T-00000D-00-0672	ACC Staff	2004	Rate Base, Operating Income

LINE NO.	SCH./ADJ. NO.	DESCRIPTION	AMOUNT	DIFFERENCE IN PRETAX RETURN	REVENUE REQUIREMENT VALUE
		(A)	(B)	(C)	(D)
1	SCH. A	USWC'S Revenue Requirement			\$201,221
2	SCH. B	Return Difference At USWC'S Rate Base	\$1,422,100	-2.05%	(29,159)
3		Subtotal Revenue Requirement			172,062
				PRE-TAX RETURN	
4		<b>ACC STAFF RATE BASE ADJUSTMENTS</b>			
5	B-1	UNRECORDED RETIREMENTS	0	13.99%	0
6	B-2	SOP 98-1 (INTERNAL-USE SOFTWARE)	(7,417)	13.99%	(1,038)
7	B-3	FAS87 PENSION ASSET	(42,344)	13.99%	(5,924)
8	B-4	CASH WORKING CAPITAL	(9,469)	13.99%	(1,325)
9	B-5	PROFORMA DEPRECIATION - RESERVE REVERSAL	64,565	13.99%	9,032
10	B-6	BROADBAND CABLE TRANSACTIONS (ASSET TRANSFER)	6,791	13.99%	950
11	B-7	FCC DEREG - SEPARATIONS ADJUSTMENT	1,061	13.99%	148
12		Total Value of ACC Staff Rate Base Adjustments	13,187		1,845
13		ACC Staff Rate Base Recommendation	\$1,435,287		
14	SCH. A	USWC Net Operating Income	\$43,833		
				REVENUE CONVERSION MULTIPLIER	
15		<b>ACC Staff NET OPERATING INCOME ADJUSTMENTS</b>			
16	C-1	REVENUE ANNUALIZATION - RECURRING LOCAL SERVICE	5,314	1.6995	(9,032)
17	C-2	ANNUALIZATION OF INTRASTATE TOLL REVENUES	215	1.6995	(366)
18	C-3	REVERSAL OF ACCESS ANNUALIZATION	(1,091)	1.6995	1,853
19	C-4	MISCELLANEOUS REVENUE NORMALIZATION	(881)	1.6995	1,497
20	C-5	DIRECTORY IMPUTATION PER AGREEMENT	24,722	1.6995	(42,014)
21	C-6	BROADBAND CABLE TRANSACTIONS	950	1.6995	(1,615)
22	C-7	UNCOLLECTIBLES ANNUALIZATION	61	1.6995	(103)
23	C-8	SERVICE QUALITY PROGRAM COST ELIMINATION	5,747	1.6995	(9,768)
24	C-9	AFFILIATE TRANSACTION TRUE-UP NORMALIZATION	(650)	1.6995	1,105
25	C-10	EOP NONLABOR REVERSAL	5,751	1.6995	(9,774)
26	C-11	YEAR-END WAGE & SALARY ANNUALIZATION	8,151	1.6995	(13,852)
27	C-12	INCENTIVE COMPENSATION	3,253	1.6995	(5,529)
28	C-13	SOP 98-1 (INTERNAL-USE SOFTWARE)	19,323	1.6995	(32,840)
29	C-14	USWC PAYROLL ADJUSTMENT REVERSAL	7,839	1.6995	(13,322)
30	C-15	PROFORMA DEPRECIATION ANNUALIZATION	1,763	1.6995	(2,996)
31	C-16	INTEREST SYNCHRONIZATION ADJUSTMENT	46	1.6995	n/a
32	C-17	FCC DEREGULATED SERVICES REVENUE IMPUTATION	2,128	1.6995	(3,616)
33	C-18	FCC DEREG - SEPARATIONS ADJUSTMENT	(2,165)	1.6995	3,680
34	C-19	PUBLIC AFFAIRS/RELATIONS EXPENSE DISALLOWANCE	452	1.6995	(768)
35	C-20	US WEST INC. DEPARTMENTAL DISALLOWANCES	683	1.6995	(1,161)
36	C-21	EMPLOYEE CONCESSION ALLOCATION TO INTERSTATE	282	1.6995	(479)
37	C-22	DEPRECIATION ON UNRECORDED RETIREMENTS	1,721	1.6995	(2,924)
38	C-23	RESERVED	0	1.6995	0
39	C-24	PROPERTY TAX CORRECTION	740	1.6995	(1,258)
40	C-25	OUT OF PERIOD PROPERTY AND OTHER TAXES	(1,233)	1.6995	2,095
41	C-26	OUT OF PERIOD INCOME TAXES	1,392	1.6995	(2,365)
42	C-27	IMAGE ADVERTISING, OLYMPIC/SPORTS SPONSORSHIP	5,939	1.6995	(10,092)
43	C-28	RENT COMPENSATION	99	1.6995	(168)
44	C-29	EXCHANGE SALE ALLOCATION ADJUSTMENTS	6,717	1.6995	(11,416)
45	C-30	RECIPROCAL COMPENSATION	(6,830)	1.6995	11,607
46	C-31	RESERVED	0	1.6995	0
47	C-32	RESERVED	0	1.6995	0
48	C-33	RESERVED	0	1.6995	0
49		Total Value of ACC Staff Net Operating Income Adj.	90,438		(153,620)
50	SCH. A	ACC Staff Net Operating Income Recommendation	\$134,271		
51		<b>OTHER REVENUE REQUIREMENT DIFFERENCES</b>			
52		Bellcore 3 Year Adjustment			0
53		Automatic Adjustment Revenue Requirement			(13,252)
54		Total Other Differences			(13,252)
55		RECONCILED REVENUE REQUIREMENT			\$7,034
56		UNRECONCILED DIFFERENCE			208
57	SCH. A	ACC STAFF REVENUE REQUIREMENT RECOMMENDATION			\$7,242

**QWEST CORPORATION**  
**DOCKET NO. T-01051B-03-0454**  
**Analysis of Pension Costs Included in Revenue Requirement**  
**(000'S)**

Year	ACC Docket	Order Date	Assumed Months in Effect	Arizona Intrastate	
				Rate-making Pension Allowance (d)	Est. Pension Expense in Rates
1987	84-100	1/10/86	12	\$ 12,200	\$ 12,200
1988	84-100		12	12,200	12,200
1989	84-100		2	12,200	2,033
	84-100 (a)	3/1/89	10	12,200	10,167
1990	84-100 (a)		12	12,200	12,200
1991	84-100 (a)		6.5	12,200	6,608
	84-100 (b)	7/15/91	5.5	12,200	5,592
1992	84-100 (b)		12	12,200	12,200
1993	84-100 (b)		12	12,200	12,200
1994	84-100 (b)		12	12,200	12,200
1995	93-183	1/3/95	12	(9,000)	(9,000)
1996	93-183		12	(9,000)	(9,000)
1997	93-183		12	(9,000)	(9,000)
1998	93-183		12	(9,000)	(9,000)
1999	93-183		12	(9,000)	(9,000)
2000	93-183		12	(9,000)	(9,000)
2001	93-183		3	(9,000)	(2,250)
	99-105 (c)	4/1/01	9	(9,000)	(6,750)
2002	99-105 (c)		12	(9,000)	(9,000)
2003	99-105 (c)		12	(9,000)	(9,000)
					<u>\$ 16,600</u>

**Footnotes:**

- (a) Pension costs from Docket 84-100 assumed to continue due settlement in Docket 88-146.
- (b) Pension costs from Docket 84-100 assumed to continue due settlement in Docket 91-400.
- (c) Pension costs from Docket 84-100 assumed to continue due settlement in Docket 99-105.
- (d) Qwest responses to Staff Data Request No. 3-10.

If negotiated settlements are treated as resolutions without any finding on specific costs and/or recoveries, a reasoned assumption would look to the results from the previous most recently litigated case to determine the amount of pension expense or credit.

**QWEST CORPORATION**  
**DOCKET NO. T-01051B-03-0454**  
**Analysis of Pension Costs Included in Revenue Requirement**  
**(000'S)**

Year	ACC Docket	Order Date	Assumed Months in Effect	Arizona Intrastate	
				Rate-making Pension Allowance (c)	Est. Pension Expense in Rates
1987	84-100	1/10/86	12	\$ 12,200	\$ 12,200
1988	84-100		12	12,200	12,200
1989	84-100		2	12,200	2,033
	88-146 (a)	3/1/89	10	(600)	(500)
1990	88-146 (a)		12	(600)	(600)
1991	88-146 (a)		6.5	(600)	(325)
	91-004 (a)	7/15/91	5.5	(9,900)	(4,538)
1992	91-004 (a)		12	(9,900)	(9,900)
1993	91-004 (a)		12	(9,900)	(9,900)
1994	91-004 (a)		12	(9,900)	(9,900)
1995	93-183	1/3/95	12	(9,000)	(9,000)
1996	93-183		12	(9,000)	(9,000)
1997	93-183		12	(9,000)	(9,000)
1998	93-183		12	(9,000)	(9,000)
1999	93-183		12	(9,000)	(9,000)
2000	93-183		12	(9,000)	(9,000)
2001	93-183		3	(9,000)	(2,250)
	99-105 (b)	4/1/01	9	(13,719)	(10,289)
2002	99-105 (b)		12	(13,719)	(13,719)
2003	99-105 (b)		12	(13,719)	(13,719)
					<u>\$ (103,206)</u>

**Sources:**

- (a) Booked amount assumed as pension credit included in both settlements per Qwest response to UTI 20-5 in Docket T1051B-99-105.
- (b) Intrastate pension credit included in the 1999 test year rate case (negotiated settlement silent on amount) per Qwest response to RUCO 28-3 in Docket T1051B-99-105.
- (c) Qwest responses to Staff Data Request No. 3-10.

If negotiated settlements are not treated as resolutions without finding on specific costs and/or recoveries, the above tabulation would reflect the cumulative net pension credit conveyed to ratepayers -- even though three (3) proceedings were resolved by negotiated settlement.

Arizona  
T-01051B-03-0454  
UTI 03-001

INTERVENOR: Utilitech, Inc.

REQUEST NO: 001

Ref. Adjustment PFA-02 & supporting workpapers (OPEB). Columns (A) through (E) of Workpaper Attachment B shows the derivation of MR basis Intrastate OPEB expense recorded during the test year. Please provide the following:

- a) Please provide a copy of the 12/31/03 "US WEST - REG." actuarial report supporting the amounts in Column (A).
- b) Starting with the format and amounts set forth in Columns (A) through (E) of Attachment B, please provide a separate column for each offbook adjustment recorded by Qwest during the test year, showing a reconciliation of the MR basis Intrastate OPEB expense (i.e., \$51,798,543) with the jurisdictional (or JD) expense embedded in unadjusted test year expense.

RESPONSE:

- a) Please refer to UTI 02-031 Confidential Attachment A - Qwest Postretirement Benefit Plan Regulated Companies. Medical Net Periodic Benefit Cost is shown in Section IV 1.C.; and Life Net Periodic Benefit Cost is shown in Section V 1.C..
- b) Qwest recorded two OPEB jurisdictional difference adjustments in 2003 for Arizona. The first adjustment, BAC (OBK) 172, Post Retirement TBO Amortization, was removed from the test period in Adjustment PFA-02. The amount of this adjustment is shown on PFA-02 Workpaper Attachment A, Column (E). The second adjustment, BAC (OBK) 289, Postretirement Capital Reversal, is included in the test period. By keeping it in the test period the Company removes the amortized effect of pre-1992 capitalized OPEB costs embedded in the MR books that was created by early adoption of OPEB current service costs by the FCC, but not by Arizona. The adjustment was recorded as Other General Expense in 1992 and is being amortized for 17.3 years. The effect on JD expense for total year is \$(130,746). PFA-02 Workpaper Attachment B is on an MR basis and therefore does not include offbook adjustments. All jurisdictional adjustments are recorded on an intrastate basis. If a schedule similar to PFA-02 Workpaper Attachment B were created, both offbook amounts would appear in column (E) and the reversal of Column BAC 172 would appear in Column (F). Only BAC 289 would appear in Column (G).

Respondent: Janice Franett, Qwest Manager

Arizona  
T-01051B-03-0454  
UTI 03-014

INTERVENOR: Utilitech, Inc.

REQUEST NO: 014

Ref. Grate direct, p. 54, & Adjustment PFA-02 (OPEB). The referenced testimony discusses Mr. Grate's proposed adjustment to reflect FAS106 accrual accounting for regulatory purposes. Please provide the following:

- a) Please provide the amount of OPEB expense included in Qwest's unadjusted test year expense, showing allocation to intrastate operations and indicating the portion thereof attributable to either PAYGO or accrual basis accounting methods.
- b) Referring to the referenced testimony, is it the Company's opinion that Qwest has never been allowed to recover FAS106 accrual basis costs through its Arizona intrastate rates? Please explain.
- c) If the response to item (a) above indicates that unadjusted test year OPEB expense is not limited to PAYGO, please explain why Qwest recorded expenses greater than PAYGO.

RESPONSE:

- a) Please refer to PFA-02 (OPEB) Attachment C Column L for OPEB expense included in Qwest's unadjusted test year expense and Column M for the allocation of intrastate expense. All of OPEB expense included in Qwest's unadjusted test year expense is on an accrual accounting basis.
- b) Yes. In Docket No. E-1051-93-183, the Commission accepted Staff's and RUCO's proposal to not adoption SFAS 106 for ratemaking purposes and, instead, required the Company to use the PAYGO method of accounting for ratemaking purposes. Qwest is aware of no Commission order rescinding or reversing the position the Commission took in Docket No. E-1051-93-183 with regard to the use of SFAS 106 for ratemaking purposes. Qwest's response to UTI 03-04 is incorporated herein by reference.
- c) Unadjusted test year OPEB expense is recorded on an accrual accounting basis in conformance with the FCC's Part 32 rules as required by Rule R14-2-510 G. The FCC adopted SFAS 106 effective January 1, 1992. Adjustment PFA-02 adjusts the 2003 test year OPEB expense to reflect adoption of SFAS 106 in the test year because, for ratemaking purposes, the Commission's decision in Docket No. E-1051-93-183 required Qwest to use the PAYGO method of accounting for OPEBs. The Commission has not reversed that position. See Qwest's response to UTI 3-04 and UTI 4-01. Adjusted OPEB test year expense is equal to the intrastate portion of booked cost plus adjustments to reflect adoption of SFAS 106 for ratemaking purposes in 2003 instead of 1992.

Please refer to PFA-02 (OPEB) Attachment B Column F for the differences between booked intrastate and Arizona Commission basis OPEB costs.

Respondent to parts a and c: Janice Franett

Respondent to part b: Phil Grate, Director - State Finance

Arizona  
T-01051B-03-0454 and T-00000D-00-0672  
UTI 18-007

INTERVENOR: Utilitech, Inc.

REQUEST NO: 007

Ref. Qwest's response to UTI 3-14 (OPEB). The responses to UTI 3-14 (a) and (c) describe Qwest's accounting for OPEB costs and indicate that Qwest's unadjusted test year OPEB expense is recorded on an accrual accounting basis, citing to FCC Part 32 rules and ACC Rule R14-2-510 G. The response to item (c) also refers to the Commission decision in Docket No. E-1051-93-183 requiring the PAYGO method for OPEB costs. Please provide the following:

- a) It is unclear whether the Arizona intrastate test year starting point [see Company Schedule C-1, column (a)] includes OPEB costs on a PAYGO or accrual accounting basis. Please clarify and explain.
- b) If the test year starting point [see Company Schedule C-1, column (a)] includes OPEB costs on a PAYGO basis, please provide the amount of Arizona intrastate PAYGO expense included in the test year starting point.
- c) If the test year starting point [see Company Schedule C-1, column (a)] includes OPEB costs on an accrual accounting basis, please provide the amount of accrual basis expense included in the test year starting point.
- d) If the responses to items (a) through (c) above indicate that Qwest recorded OPEB costs for Arizona intrastate regulatory purposes on an accrual basis, please explain why Qwest is utilizing accrual accounting, not PAYGO, to record such costs for Arizona regulatory accounting purposes.

RESPONSE:

Objection. This request is not reasonably calculated to lead to the discovery of admissible evidence concerning issues related to the modification, renewal or termination of the Price Cap Plan. Therefore, this request is overly broad and unduly burdensome because it seeks information beyond the scope of this proceeding. Without waiving this objection, Qwest provides the following response:

- a) The Arizona intrastate test year starting point includes OPEB costs on an accrual accounting basis. Please see response to part (d).
- b) Please see response to part (a).
- c) Please see RUCO 03-010 Non-Confidential Attachment A PFA-02 "Intrastate as Booked", Column (C) for Arizona intrastate accrual accounting basis.
- d) On an MR or FCC basis the Company records OPEB on an accrual accounting basis as adopted by the FCC in 1992. For Arizona intrastate regulatory purposes, the Company calculates intrastate PAYGO on a side-record. Because the Company is requesting regulatory approval to begin OPEB accrual accounting for Arizona intrastate regulatory purposes, the effect of adding and then subtracting PAYGO from the starting point is a wash. PFA-02 calculates the difference between OPEB intrastate as booked on an MR or FCC basis and proposed Arizona intrastate regulatory OPEB accrual accounting.

Respondent: Janice Franett, Qwest Manager

Arizona  
T-01051B-03-0454 and T-00000D-00-0672  
UTI 18-008

INTERVENOR: Utilitech, Inc.

REQUEST NO: 008

Ref. Qwest's response to UTI 3-14 (OPEB). The responses to UTI 3-14 (a) and (c) describe Qwest's accounting for OPEB costs and indicate that Qwest's unadjusted test year OPEB expense is recorded on an accrual accounting basis, citing to FCC Part 32 rules and ACC Rule R14-2-510 G. The response to item (c) also refers to the Commission decision in Docket No. E-1051-93-183 requiring the PAYGO method for OPEB costs. Please provide the following:

- a) If Qwest has been recording OPEB costs on an accrual basis for Arizona intrastate regulatory purposes, please provide the amount amount of TBO (or APBO) amortization expense recorded during the test year.
- b) Referring to item (a) above, please provide the aggregate amount of the TBO (or APBO) and the period of amortization on which the test year amortization expense was based. Please show all calculations and allocations to Arizona intrastate.

RESPONSE:

Objection. This request is not reasonably calculated to lead to the discovery of admissible evidence concerning issues related to the modification, renewal or termination of the Price Cap Plan. Therefore, this request is overly broad and unduly burdensome because it seeks information beyond the scope of this proceeding. Without waiving this objection, Qwest provides the following response:

a) The Company has not been recording OPEB costs on an accrual basis for Arizona intrastate regulatory purposes. On an Arizona intrastate regulatory basis no TBO (or APBO) amortization was recorded during the test year.

b) Please see response to part (a).

Respondent: Janice Franett, Qwest Manager

QWEST CORPORATION  
DOCKET NO. T-01051B-03-0454

FCC Deregulated Services  
Test Year "Corrected" Financial Results

Product	Net Operating Income (Loss)	EOP Rate Base	Tariff?/ Basket
1. Protocol Conversion	██████████	██████████	No
2. Premises Services	██████████	██████████	Yes/3
3. Customer Dial Account Recording	██████████	██████████	No
4. Voice Messaging	██████████	██████████	No/3
5. E911 Nonregulated	██████████	██████████	Yes/1
6. Information Services	██████████	██████████	No
7. National Directory Assistance	██████████	██████████	Yes/3
8. Joint Marketing	██████████	██████████	No
9. Unregulated Wholesale	██████████	██████████	No
10. Unregulated Alarm	██████████	██████████	No
11. Planning for Enhanced Services	██████████	██████████	No
Total FCC Dereg Services	██████████	██████████	

**Source:** Qwest confidential response to Staff Data Request UTI 9-9, Attach. B.

**Note:** "Corrected" financial results refers to the cost reclassification Qwest identified in the response to Staff Data Request UTI 9-8, indicating that certain amounts charged to "Planning for Enhanced Services" should have been assigned to other FCC deregulated services – primarily payphone.

**QWEST CORPORATION**  
**DOCKET NO. T-01051B-03-0454**

**FCC Deregulated Services**  
**Product Price Changes**

<b>Product</b>	<b>General Price Change</b>	<b>Month</b>	<b>Tariff?/ Basket</b>
1. Protocol Conversion			No
2. Premises Services	[REDACTED]	[REDACTED]	Yes/3
3. Customer Dial Account Recording			No
4. Voice Messaging	[REDACTED]	[REDACTED]	No/3
5. E911 Nonregulated			Yes/1
6. Information Services			No
7. National Directory Assistance	[REDACTED]	[REDACTED]	Yes/3
8. Joint Marketing	Various FDC pricing updates.	10/01, 1/03, 1/04, 4/04 & 9/04	No
9. Unregulated Wholesale			No
10. Unregulated Alarm			No
11. Planning for Enhanced Services			No

**Source:** Qwest responses to Staff Data Request UTI 9-6 & 9-7.

**Note:** Joint marketing information was not designated confidential.