Q.Please state your name and business address for the record.

A.My name is Sydney Lansing.  My business address is 472 W. Washington Street, Boise, Idaho.

Q.By whom are you employed and in what capacity?

A.I am employed by the Idaho Public Utilities Commission as a Staff Auditor in the Accounting Section.

Q.Give a brief description of your educational background and experience.

A.I graduated from San Jose State College, California in 1958 with a B.A. degree in Business Emphasis in Accounting.  I was licensed to practice as a Certified Public Accountant in 1960.  I was employed as an Auditor by Arthur Young and Company in San Francisco and by Roland Crabtree, CPA in Riverside, California.  I was the partner in charge of audits in the firm of Purl and Lansing in Riverside, California.  I have been hired several times to install accounting systems and I have been the Controller of two different organizations.  I have attended many seminars, classes and courses involving auditing, accounting and tax issues.

Q.What is the purpose of your testimony?

A.The purpose of my testimony is to do four things.  First, to estimate a revenue requirement for    U S WEST in its Idaho-South jurisdiction.  Second, to allocate the various parts of the revenue requirement between Title 61 and Title 62.  Third, to present a comparison of my current estimate of a revenue requirement with the revenue requirement calculated by Staff in a report filed with the Commission on         May 25,1994.  Finally, to explain the assumptions made to estimate the current revenue requirement along with the assumptions related to the allocation between Title 61 and Title 62.

Q.What test years are involved in those years being presented?

A.The earlier report (Exhibit No. 101 dated May 25, 1994) calculated a revenue requirement based on a test year ended December 31, 1992 (Exhibit No. 101, Schedule 1).  The current calculation of a revenue requirement (Exhibit No. 102, Columns C and D) is based on a test year ended September 30, 1995.  Additionally, Exhibit No. 102 (Columns A and B) restates the revenue requirement from Exhibit No. 101, Schedule 1 calculated  at December 31, 1992 to make easy comparison of the two test periods.

Q.What exhibits are part of your testimony?

A.Exhibit No. 101 is a report previously prepared by Staff and filed with the Commission in    Case No. USW-S-94-3.  The purpose of that report was to examine U S WEST's earnings for 1992 and make an allocation of costs between Title 61 fully regulated services and Title 62 partially regulated services.  That report contains Schedule 1 and Schedule 2.

Schedule 1 shows the intrastate rate base and the intrastate earnings for the southern Idaho jurisdiction of U S WEST Communications for the year ended December 31, 1992.  Schedule 1 also shows the actual intrastate revenue earned by U S WEST during the test year as well as an imputed amount for Yellow Pages revenue.  Exhibit No. 101, Schedule 2 allocates the rate base and earnings calculated in Schedule 1 between Title 61 and Title 62 utilizing three different allocation methods.  These allocation methods are explained in pages 17 through 21 of Exhibit No. 101.

Exhibit No. 102 in Columns A and B restates the rate base and earnings calculated in Exhibit No. 101, Schedule 1, then in Columns C and D calculates rate base and intrastate earnings for U S WEST's southern Idaho jurisdiction for the twelve months ended September 30, 1995.  Exhibit No. 102 presents the rate base and earnings information related to the two different test years for the purpose of easy comparison.

Exhibit No. 103 shows the results of three different cost allocation methods.  Exhibit No. 103 also shows on line 27 the return on rate base related to Title 61 and Title 62 earnings based on each of the three allocation methods.  Column A simply restates the intrastate rate base and revenue requirement as calculated in Columns C and D from Exhibit No. 102.  Columns B and C of Exhibit No. 103 show the amounts from Column A allocated to Title 61 and 62 based on Staff's combined usage and revenue-factor approach.  Columns D and E show the amounts allocated to Title 61 and 62 based solely on U S WEST's cost allocation method.  Columns F and G show the amounts from Column A allocated to Title 61 and Title 62 based solely on the revenue allocation method.

Exhibit No. 104 shows a Title 61/Title 62 allocation on a proforma basis assuming that there is a one dollar per month increase in residential rates.  There will be about 350,000 residential lines on which to apply the $1.00 per month rate increase.  Therefore, there will be about $4,200,000 increase in Title 61 revenue (350,000 X 12 X $1.00).  Additionally, there is presumed to be an exact revenue amount decrease in Title 62 revenue.  The net result is a presumption of revenue neutrality in total, but a shift of revenue from Title 62 to Title 61.

Q.How much money does the existing Revenue Sharing Plan return to Title 61 ratepayers each year?

A.Exhibit No. 101, page 3 shows the amounts related to each year from 1989 to 1992.  The sharing amount for 1993 was approximately $5.8 million plus interest and the amount for 1994 was approximately $5.9 million plus interest.  On a going forward basis it is appropriate to assume an approximate amount of $6.0 million.

Q.How can the ratepayers come out even when that $6.0 million revenue sharing amount reverts to      U S WEST at the change of the Plan?

A.There are two things that U S WEST must do to make the change in the Plan revenue neutral:  First, eliminate the rural zone charges of $3.19 per month currently being billed to approximately 65,000 customers.  The total amount of this revenue elimination is approximately $2.5 million.  Second, increase depreciation expense by $3.5 million.  These issues are discussed in greater detail in Stephanie Miller’s testimony.

Q.What was the scope of your investigation into establishing the rate base and the earnings?

A.The scope of the audit related to the test year 1992 is explained on page 4 of Exhibit No. 101.   The scope of the investigation related to the test year ended September 30, 1995 was limited to a general review of the standard financial reports prepared by U S WEST from its booked financial data.

Q.Do you know any adjustments that Staff would likely recommend to the booked data included in the September 30, 1995 numbers?

A.Yes, I do.  There are some expenses included in the expense accounts that relate to re-engineering costs.  Staff would recommend that those amounts be removed from general expenses and amortized over some suitable period of time.  Additionally, U S WEST has expensed in prior years amounts related to FAS 106 and FAS 112.  Staff would recommend that those amounts be amortized over a suitable time period as well.  Although the exact amounts of these offsetting adjustments is not known, I believe that taken together they would have no material impact on the revenue requirement as shown.

Q.Why do you recommend an adjustment to booked expenses for Equal Life Group (ELG) depreciation?

A.Depreciation as it relates to U S WEST and the Revenue Sharing Plan is explained at page 11 of Exhibit No. 101.  The regular booked depreciation for    U S WEST includes ELG type of depreciation.  The Commission has never accepted ELG depreciation for ratemaking purposes, therefore, the ELG portion of depreciation has been removed for proper presentation and for comparison purposes.  Exhibit No. 102, line 34 shows an adjustment to remove the ELG portion of depreciation.  Q.What are the allocation factors related to Title 61 and Title 62 allocations that are presented for comparison between the two test years?

A. There are three different allocation theories presented for comparison related to Title 61 and Title 62 allocations.  Each theory is explained in Exhibit No. 101 from pages 17 through 21 and the application of those theories for test year 1992 is presented as Schedule 2 in that Exhibit.  The same theories exist for the test year ended September 30, 1995.  The only change to any allocation factor is related to the actual revenue earned.  The allocation factor related to revenue in Exhibit No. 101 came from the Revenue Sharing Plan report for the year 1993.  That report established a 40.9% factor for Title 61, and a 59.1% factor for Title 62.  The Revenue Sharing Plan report for 1994 (filed in May 1995) established a sharing ratio of 41.8% for Title 61 and 58.2% for Title 62.  I have utilized the 1994 sharing ratio to allocate costs related to the columns showing revenue driven allocations (Exhibit No. 103, Columns F and G) for the year ended September 30, 1995.  The other columns on Exhibit No. 103 utilize the same allocation factors developed for presentation in Exhibit No. 101.

Q.Do you anticipate changes between now and the hearing date for this Case?

A.Yes.  The hearing date for this case is April 9, 1996.  There will be some additional financial information available by then.  Staff will continue to monitor that information and be able to provide the most current information available for discussion at the hearing.

Q.Does this complete your testimony?

A.Yes, it does.