

QWEST CORP

FORM 10-Q (Quarterly Report)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 1995

OR

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 1-3040

U S WEST Communications, Inc.

A Colorado Corporation IRS Employer No. 84-0273800

1801 California Street, Denver, Colorado 80202

Telephone Number (303) 896-3099

THE REGISTRANT, A WHOLLY OWNED SUBSIDIARY OF U S WEST, INC., MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1) OF FORM 10-Q AND IS THEREFORE
FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION H(2).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Form 10-Q - Part I U S WEST Communications, Inc.

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Form 10-Q - Part I U S WEST Communications, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Dollars in millions

Dollars in millions	Three Mos. Ended Sept. 30, 1995	Three Mos. Ended Sept. 30, 1994	Nine Mos. Ended Sept. 30, 1995	Nine Mos. Ended Sept. 30, 1994
OPERATING REVENUES				
Local service	\$ 1,105	\$ 1,034	\$ 3,231	\$ 3,035
Interstate access service	594	573	1,774	1,691
Intrastate access service	186	188	558	541
Long-distance network service	298	323	891	1,019
Other services	151	149	455	442
Total operating revenues	2,334	2,267	6,909	6,728
OPERATING EXPENSES				
Employee-related expenses	780	752	2,277	2,207
Other operating expenses	403	400	1,159	1,199
Taxes other than income taxes	92	99	299	294
Depreciation and amortization	507	471	1,499	1,406
Total operating expenses	1,782	1,722	5,234	5,106
Income from operations	552	545	1,675	1,622
Interest expense	98	82	284	243
Gains on sales of rural telephone exchanges	34	-	112	48
Other expense - net	10	6	43	23
Income before income taxes and extraordinary item	478	457	1,460	1,404
Provision for income taxes	173	172	543	527
Income before extraordinary item	305	285	917	877
Extraordinary item:				
Early extinguishment of debt, net of tax	(5)	-	(5)	-
NET INCOME	\$ 300	\$ 285	\$ 912	\$ 877

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS (Unaudited)

Dollars in millions

Dollars in millions	September 30, 1995	December 31, 1994
ASSETS		
Current assets		
Cash and cash equivalents	\$ 65	\$ 114
Accounts receivable	1,638	1,450
Materials and supplies	160	120
Deferred tax asset	274	280
Other	38	48
Total current assets	2,175	2,012
Gross property, plant and equipment	30,498	29,406
Accumulated depreciation	17,289	16,444
Property, plant and equipment - net	13,209	12,962
Other assets	752	726
Total assets	\$ 16,136	\$ 15,700

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS (Unaudited)

Dollars in millions

Dollars in millions	September 30, 1995	December 31, 1994
LIABILITIES AND SHAREOWNER'S EQUITY		
Current liabilities		
Short-term debt	\$ 2,011	\$ 1,485
Accounts payable	784	883
Employee compensation	321	283
Current portion of restructuring charges	342	317
Other	934	883
Total current liabilities	4,392	3,851
Long-term debt	4,465	4,242
Postretirement and other postemployment benefit obligations	2,249	2,393
Deferred taxes, credits and other	1,346	1,530
Shareowner's equity		
Common shares - one share without par value	7,286	7,286
Cumulative deficit	(3,602)	(3,602)
Total shareowner's equity	3,684	3,684
Total liabilities and shareowner's equity	\$ 16,136	\$ 15,700

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Dollars in millions

Nine Months Ended September 30,	1995	1994
OPERATING ACTIVITIES		
Net income	\$ 912	\$ 877
Adjustments		
Depreciation and amortization	1,499	1,406
Gains on sales of rural telephone exchanges	(112)	(48)
Deferred income taxes and amortization of investment tax credits	120	135
Changes in operating assets and liabilities:		
Restructuring payments	(253)	(156)
Postretirement medical and life costs, net of cash fundings	(159)	(213)
Accounts receivable	(188)	(123)
Materials, supplies and other	(49)	(31)
Accounts payable and accrued liabilities	(48)	15
Other - net	17	(23)
Cash provided by operating activities	1,739	1,839
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(1,696)	(1,732)
Proceeds from disposals of property, plant and equipment	160	48
Cash (used for) investing activities	(1,536)	(1,684)
FINANCING ACTIVITIES		
Net proceeds from issuance of short-term debt	406	286
Proceeds from issuance of long-term debt	495	251
Repayments of long-term debt	(248)	(263)
Dividends paid	(905)	(894)
Equity infusions from parent	-	451
Cash (used for) financing activities	(252)	(169)
CASH AND CASH EQUIVALENTS		
Decrease	(49)	(14)
Beginning balance	114	67
Ending balance	\$ 65	\$ 53

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF

SHAREOWNER'S EQUITY (Unaudited)

Dollars in millions

Nine Months Ended September 30,	1995	1994
COMMON SHARES		
Balance at beginning of period	\$ 7,286	\$ 6,742
Equity infusions from parent	-	451
Other	-	-
Balance at end of period	7,286	7,193
CUMULATIVE DEFICIT		
Balance at beginning of period	(3,602)	(3,602)
Net income	912	877
Dividends declared	(912)	(877)
Balance at end of period	(3,602)	(3,602)
TOTAL SHAREOWNER'S EQUITY	\$ 3,684	\$ 3,591

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)

(Unaudited)

A. Summary of Significant Accounting Policies

Consolidated Financial Statements

The Consolidated Financial Statements have been prepared by U S WEST Communications, Inc. (the "Company"), a wholly owned subsidiary of U S WEST Inc., pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally accompanying financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations. In the opinion of the Company's management, the Consolidated Financial Statements include all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial information set forth therein. It is suggested that these Consolidated Financial Statements be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 1994.

Certain reclassifications within the Consolidated Financial Statements have been made to conform to the current year presentation.

B. Recapitalization Plan

On October 31, 1995, the shareholders of U S WEST, Inc., a Colorado corporation ("U S WEST Colorado") voted to approve a proposal (the "Recapitalization Plan") adopted by the Board of Directors to reincorporate from Colorado to Delaware and create two classes of common stock that are intended to reflect separately the performance of the communications and multimedia businesses. Under the Recapitalization Plan, shareholders approved an Agreement and Plan of Merger between U S WEST Colorado and U S WEST, Inc., a Delaware corporation ("U S WEST"), pursuant to which U S WEST continues as the surviving corporation. In connection with the merger, the Certificate of Incorporation of U S WEST has been amended and restated to, among other things, designate two classes of common stock of U S WEST, one class of which is authorized as U S WEST Communications Group Common Stock ("Communications Stock"), and the other class is authorized as U S WEST Media Group Common Stock ("Media Stock"). Effective November 1, 1995, each share of common stock of U S WEST Colorado was converted into one share of Communications Stock and one share of Media Stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)

(Unaudited)

B. Recapitalization Plan (continued)

The Communications Stock and Media Stock are designed to provide shareholders with separate securities that are intended to reflect separately the communications businesses of the Company and certain other subsidiaries of U S WEST (the "Communications Group") and the U S WEST's multimedia businesses (the "Media Group" and, together with the Communications Group, the "Groups").

The Communications Group is comprised of U S WEST Communications, U S WEST Communications Services, Inc., U S WEST Communications Federal Services, Inc., U S WEST Advanced Technologies, Inc. and U S WEST Business Resources, Inc. U S WEST Communications comprised approximately 98 percent of the revenues and assets of the Communications Group in 1994.

The Media Group is comprised of U S WEST Marketing Resources Group, Inc., a publisher of White and Yellow Pages telephone directories, and provider of multimedia content and services, U S WEST NewVector Group, Inc., which provides communications and information products and services over wireless networks, U S WEST Multimedia Communications, Inc., which owns domestic cable television operations and investments, and U S WEST International Holdings, Inc., which primarily owns investments in international cable and telecommunications, wireless communications and directory publishing operations.

Dividends to be paid to the holders of Communications Stock will initially be \$0.535 per share per quarter. Dividends on the Communications Stock will be paid at the discretion of the Board of Directors of U S WEST, based primarily upon the financial condition, results of operations and business requirements of the Communications Group and U S WEST as a whole. With regard to the Media Stock, the Board of Directors of U S WEST currently intends to retain future earnings, if any, for the development of the Media Group's businesses and does not anticipate paying dividends on the Media Stock in the foreseeable future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)

(Unaudited)

C. Contingencies

There are pending regulatory actions in local regulatory jurisdictions that call for price decreases, refunds or both. In one such instance, the Utah Supreme Court has remanded a Utah Public Service Commission ("PSC") order to the PSC for reconsideration, thereby establishing two exceptions to the rule against retroactive ratemaking: 1) unforeseen and extraordinary events, and 2) misconduct. The PSC's initial order denied a refund request from interexchange carriers and other parties related to the Tax Reform Act of 1986. This action is still in the discovery process. If a formal filing - made in accordance with the remand from the Supreme Court - alleges that the exceptions apply, the range of possible risk is \$0 to \$140.

D. Debt

During third quarter 1995, the Company refinanced \$410 of commercial paper to take advantage of favorable long-term interest rates. In addition to the commercial paper, the Company refinanced \$90 of long term debt. Expenses associated with the refinancing of long-term debt resulted in an extraordinary charge to income of \$5, net of an income tax benefit of \$3.

Subsequent to third quarter 1995, the Company refinanced \$750 of commercial paper.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

Results of Operations

Comparative details of operations for the nine months ended September 30 follow:

Nine Months Ended September 30,	1995	1994
Operating revenues	\$6,909	\$6,728
Operating expenses		
Employee-related expenses	2,277	2,207
Other operating expenses	1,159	1,199
Taxes other than income taxes	299	294
Depreciation and amortization	1,499	1,406
Interest expense	284	243
Gains on sales of rural telephone exchanges	112	48
Other expense - net	43	23
Income before income taxes and extraordinary item	1,460	1,404
Provision for income taxes	543	527
Income before extraordinary item	917	877
Extraordinary item	(5)	-
Net income	\$ 912	\$ 877

For the nine months ended September 30, 1995, the Company's net income was \$912, a \$35, or 4.0 percent, increase compared with the same period in 1994. Excluding gains on the sales of certain rural telephone exchanges of \$70 and \$31 year-to-date 1995 and 1994, respectively, and the extraordinary item in 1995 of \$5, net income increased \$1, or .1 percent, as compared with the same period in 1994.

Increased income is attributable to higher demand for services and access line growth, and lower employee benefit costs, including the effects of certain benefit cost true-ups. Largely offsetting these items were an increase in operating costs incurred to address current customer service issues, increased depreciation expense and higher interest expense.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions), continued

Results of Operations (continued)

Increased demand for the Company's services resulted in growth in earnings before interest, taxes, depreciation, amortization and other ("EBITDA") of 4.8 percent for the nine months ended September 30, 1995, as compared with the same period in 1994. The Company believes EBITDA is an important indicator of the operational strength of the business. EBITDA, however, should not be considered as an alternative to operating or net income as an indicator of the performance of the Company's business or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with GAAP.

Sales & Other Revenues

An analysis of changes in the Company's revenues follows:

	Nine Mos. Ended Sept. 30 1995	Nine Mos. Ended Sept. 30 1994	Price Changes	Lower (Higher) Refunds	Growth	Other	Increase (Decrease) Dollars	Increase (Decrease) Percentage
Local service	\$ 3,231	\$ 3,035	\$ 9	\$ (7)	\$ 194	\$ -	\$ 196	6.5
Interstate access	1,774	1,691	(27)	(15)	126	(1)	83	4.9
Intrastate access	558	541	(24)	7	26	8	17	3.1
Long-distance network	891	1,019	(20)	-	(42)	(66)	(128)	(12.6)
Other services	455	442	-	-	-	13	13	2.9
Total revenues	\$ 6,909	\$ 6,728	\$ (62)	\$ (15)	\$ 304	\$ (46)	181	2.7

Total operating revenues were \$6,909, a \$181 or 2.7 percent increase over the prior year. Local service revenues increased principally as a result of higher demand for services, as evidenced by an increase of 495,000 access lines, or 3.5 percent, during the last 12 months. Access line growth was 4.2 percent as adjusted for sales of approximately 103,000 rural telephone access lines during the last 12 months.

Higher revenues from interstate access services resulted from an increase of 9.4 percent in interstate billed access minutes of use in the first nine months of 1995 as compared with the same period of 1994. The increased volume of business more than offset the effects of price reductions and refunds.

Intrastate access revenues increased primarily due to the impacts of multiple toll carrier plans.

Multiple toll carrier plans ("MTCP") implemented in Oregon and Washington in May and July 1994, respectively, allow independent telephone companies to act as toll carriers. The impact on the Company for the nine months ended September 30, 1995 was long-distance revenue losses of \$62, partially offset by increases in intrastate access revenue of \$12, and decreases in other operating expenses (i.e. access expense) of \$42. These regulatory arrangements did not impact third quarter results.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions), continued

Sales & Other Revenues (continued)

Adjusted for the effects of MTCP, long-distance network revenues decreased by 6.5 percent for the nine months ended September 30, 1995, compared with the same period last year. The decrease was primarily due to the effects of competition and rate reductions.

Revenues from other services increased primarily as a result of continued market penetration in voice messaging services and increases in inside wire services, partially offset by decreases in billing and collection revenues.

Costs and Expenses

	Nine Mos. Ended September 30, 1995	Nine Mos. Ended September 30, 1994	Increase (Decrease) Dollars	Increase (Decrease) Percentage
Employee-related expenses	\$ 2,277	\$ 2,207	\$ 70	3.2
Other operating expenses	1,159	1,199	(40)	(3.3)
Taxes other than income taxes	299	294	5	1.7
Depreciation and amortization	1,499	1,406	93	6.6
Interest expense	284	243	41	16.9
Other expense-net	43	23	20	87.0
Provision for income taxes	543	527	16	3.0

Higher employee-related expenses are primarily the result of initiatives to improve customer service and address business growth. Customer service has been impacted by temporary declines in productivity partly caused by restructuring efforts. Higher levels of employee-related expenses are expected to continue throughout the remainder of the year. Overtime payments and contract labor increased employee-related expenses by approximately \$149 for the first nine months of 1995 as compared to the first nine months of 1994. Partially offsetting these increases was a reduction in the accrual for postretirement benefits, certain benefit cost true-ups and lower travel and conference expenses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions), continued

Costs and Expenses (continued)

Since December 1993, the Company has separated 4,299 employees under the Restructuring Plan. (See "Restructuring Charges.") These separations have been partially offset by the addition of approximately 2,600 employees (a significant portion of which are temporary) primarily dedicated to improving customer service and also developing new business opportunities. Benefits from the net work-force reductions have offset wage and salary increases.

The Company estimates that it will achieve employee reductions of 9,000 in connection with the Restructuring Plan by the end of 1997. (See "Restructuring Charges.") These employee reductions will be partially offset by the planned addition of some employees by the end of 1997 to accommodate business growth, including wireless cable and data transmission services.

Other operating expenses decreased primarily due to the effect of the multiple toll carrier plans. Increased depreciation and amortization expense was attributable to the effects of a higher depreciable asset base. Interest expense increased primarily as a result of an increased use of debt financing.

Restructuring

The Company's 1993 results reflected an \$880 restructuring charge (pretax). The related restructuring plan (the "Restructuring Plan") is designed to provide faster, more responsive customer services while reducing the costs of providing these services. As part of the Restructuring Plan new systems and enhanced system functionality are being developed that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, rapidly design and engineer new services for customers and centralize its service centers. The Company is consolidating its 560 customer service centers into 26 centers in 10 cities and reducing its total work force by approximately 9,000 employees.

The Restructuring Plan is scheduled to be completed by the end of 1997. Implementation to date has been driven by growth in the business and related service issues, revisions to system delivery schedules and productivity issues caused by the major rearrangement of resources due to restructuring. These issues may continue to affect the timing of the implementation of the Restructuring Plan.

Item 2. Management's Discussion and Analysis of Financial Condition and
Results of Operations (Dollars in millions), continued

Following is a schedule of the costs included in the Restructuring Plan:

	Actual 1994	Estimate 1995	Estimate 1996	Estimate 1997	Total
Cash expenditures:					
Employee separation (1)	\$ 19	\$ 75	\$ 96	\$ 65	\$ 255
Systems development	118	145	97	-	360
Real estate	50	71	9	-	130
Relocation	21	23	31	-	75
Retraining and other	8	27	15	10	60
Total cash expenditures	216	341	248	75	880
Remaining 1991 plan employee costs (1)	56	-	-	-	56
Total	\$ 272	\$ 341	\$ 248	\$ 75	\$ 936

(1) Employee separation costs, including the balance of the 1991 restructuring reserve at December 31, 1993, aggregate \$311.

Employee separation costs include severance payments, health-care coverage and postemployment education benefits. System development costs include new systems and the application of enhanced system functionality to existing single purpose systems to provide integrated, end-to-end customer service. A substantial portion of the work-force reductions will be enabled by developing new systems and enhanced system functionality, which will simplify the current, labor-intensive interfaces between existing processes. Real estate costs include preparation costs for the new service centers. The relocation and retraining costs are related to moving employees to the new service centers and retraining employees on the methods and systems required in the new, restructured mode of operation.

The Company estimates that full implementation of the Restructuring Plan will reduce employee-related expenses by approximately \$400 per year. These savings are expected to be offset by the effects of inflation. Future operating costs also will be impacted by business growth.

Employee Separation. Net employee reductions will total 9,000 under the Restructuring Plan. While the Company will separate 10,000 employees, approximately 1,000 employees that were originally expected to relocate have chosen separation or other job assignments and will be replaced. The estimated total cost for employee separations is \$311, compared with \$281 in the original estimate. The \$30 cost associated with these additional employee separations has been reclassified from relocation to the reserve for employee separations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions), continued

The following estimates of employee separations and related amounts reflect the extension of employee reductions into 1997:

	Estimate 1994	Actual 1994 (1)	Estimate 1995	Estimate 1996	Estimate 1997	Total
Employee separations						
Managerial	1,061	497	612	1,090	521	2,720
Occupational	1,887	1,683	1,638	2,310	1,649	7,280
Total	2,948	2,180	2,250	3,400	2,170	10,000

	Estimate 1994	Actual 1994 (1)	Estimate 1995	Estimate 1996	Estimate 1997	Total
Employee separation amounts						
Managerial	\$ 22	\$ 5	\$ 21	\$ 40	\$ 19	\$ 85
Occupational	15	14	54	56	46	170
Total	37	19	75	96	65	255
Remaining 1991 reserve	56	56	-	-	-	56
Total	\$ 93	\$ 75	\$ 75	\$ 96	\$ 65	\$ 311

(1) Includes the remaining employees and the separation amounts associated with the balance of the 1991 restructuring reserve at December 31, 1993

Compared with the original estimates, employee reductions and separation amounts shown above have been reduced by 1,219 and \$27 in 1995, and increased by 800 and \$10 in 1996, and 2,170 and \$65 in 1997.

Systems Development. The existing information management systems were largely developed to support a monopoly environment. These systems have become increasingly inadequate due to the effects of increased competition, new forms of regulation and changing technology that have driven consumer demand for new services that can be delivered quickly, reliably and economically. The Company believes that improved customer service, delivered at lower cost, can be achieved by a combination of new systems and introducing new functionality to existing systems. This is a change from the initial strategy which placed more emphasis on the development of new systems. The Restructuring Plan is now less dependent on development of entirely new, untested systems and related technology.

Form 10-Q - Part I U S WEST Communications, Inc.**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions), continued**

The systems development program involves new systems and enhanced system functionality for systems that support the following core processes:

Service Delivery - to support service on demand for all products and services.

These new systems and enhanced system functionality will permit one customer service representative to handle all facets of a customer's requirements as contrasted to the numerous points of customer interface required today.

Service Assurance - for performance monitoring from one location and remote testing in the new environment, including identification and resolution of faults prior to customer impact.

Capacity Provisioning - for integrated planning of future network capacity, including the installation of software controllable service components.

The direct, incremental and nonrecurring costs of providing new systems and enhanced system functionality follow:

	Estimate 1994	Actual 1994	Estimate 1995	Estimate 1996	Total
Service delivery	\$ 35	\$ 21	\$ 21	\$ 31	\$ 73
Service assurance	45	12	24	28	64
Capacity provisioning	17	57	92	30	179
All other	8	28	8	8	44
Total	\$ 105	\$ 118	\$ 145	\$ 97	\$ 360

The Company continues to review its estimates of systems expenditures under the Restructuring Plan. Material revisions in total estimated expenditures are not anticipated. However, should expenditures exceed the remaining reserve, additional amounts would be expensed as incurred.

Systems expenses charged to current operations consist of costs associated with the information management function, including planning, developing, testing and maintaining data bases for general purpose computers, in addition to systems costs related to maintenance of telephone network applications. Other systems expenses are for administrative (i.e. general purpose) systems which include customer service, order entry, billing and collection, accounts payable, payroll, human resources and property records. Ongoing systems costs comprised approximately six percent of total operating expenses in 1994, 1993 and 1992. The Company expects systems costs charged to current operations as a percent of total operating expenses to approximate the current level throughout the life of the Restructuring Plan. However, systems costs could increase relative to other operating costs as the business becomes more technology dependent.

Form 10-Q - Part I U S WEST Communications, Inc.**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions), continued****Progress Under the Restructuring Plan:**

Following is a reconciliation of restructuring reserve activity since December 1993.

	Reserve Balance 12/31/93	1994 Activity	Reserve Balance 12/31/94	First Nine Months 1995 Activity	Change in Relocation/ Employee Separation Estimates	Reserve Balance 9/30/95
Employee separations						
Managerial	\$ 75	\$ 5	\$ 70	\$ 19	\$ 7	\$ 58
Occupational	150	14	136	48	23	111
Total separations	225	19	206	67	30	169
Systems Development						
Service delivery	73	21	52	13		39
Service assurance	64	12	52	16		36
Capacity provisioning	179	57	122	65		57
All other	44	28	16	3		13
Total systems	360	118	242	97		145
Real estate	130	50	80	58		22
Relocation	105	21	84	13	(30)	41
Retraining and other	60	8	52	18		34
Total	880	216	664	253		411

Remaining 1991 Plan
expenditures

Total	\$	56	\$	56	\$	0	\$	-	\$	-	\$	-
		936		272		664		253		-		411

	1994 Separations	First Nine Months 1995 Separations	Cumulative Separations At September 30, 1995
Employee separations			
Managerial	497	581	1,078
Occupational	1,683	1,538	3,221
Total	2,180	2,119	4,299

Recapitalization Plan

On October 31, 1995, the shareholders of U S WEST, Inc., a Colorado corporation and parent of the Company, voted to approve a proposal by the Board of Directors to reincorporate from Colorado to Delaware and create two classes of common stock, the Communications Stock and the Media Stock, which are intended to reflect separately the performance of the communications and multimedia businesses. For a more complete discussion on the Recapitalization Plan see Footnote B in the Notes to the Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and

Results of Operations (Dollars in millions) , continued

Broadband

In 1993, the Company announced its intention to build an interactive multimedia telecommunications network (the "Broadband Network") capable of providing voice, data and video services to customers within the region. Limited testing of the Broadband Network began in Omaha, Nebraska in December 1994. A market trial in the Omaha area that will cover up to 50,000 homes commenced in August 1995.

In early 1994, U S WEST Communications filed applications with the FCC to install Broadband Network architecture in Denver; Minneapolis-St. Paul; Salt Lake City; Boise; and Portland, Oregon (collectively, the "Broadband Applications"). In May 1995, U S WEST Communications withdrew the Broadband Applications. The Company is evaluating the relative costs of alternative video technologies, as well as the near-term feasibility of interactive services. In order to satisfy anticipated demand for combined video and telephony services on a cost-effective basis, the Company's strategy may include selective investments in wireless cable technologies.

Regulatory

On October 11, 1995, the U.S. Justice Department recommended that U S WEST be allowed to offer long-distance telephone service outside its 14-state region. The agreement, among U S WEST, the Justice Department and AT&T, must be approved by U. S. District Court Judge Harold Greene, who oversees the consent decree that broke up AT&T in 1984, and barred the Regional Holding Companies from a number of businesses, including interLATA long distance.

If approved by Judge Greene, U S WEST will be able to offer long-distance service outside U S WEST's local service territory. Such an approval would mean that U S WEST would be the first Regional Holding Company allowed to offer interLATA long-distance service outside its region.

Union Contract

On October 2, 1995, U S WEST union members approved a new three-year contract with the Company. The contract provides for salary increases of 10.6 percent over three years effective January 1 of each year. The contract also provides employees with a lump sum payment of \$1,500 in lieu of wage increases becoming effective in August each year. This lump sum payment will be recognized over the life of the contract. The agreement covers 33,000 Communications Workers of America members who work for U S WEST Communications and U S WEST Business Resources.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions), continued

Contingencies

There are pending regulatory actions in local regulatory jurisdictions that call for price decreases, refunds or both. In one such instance, the Utah Supreme Court has remanded a Utah Public Service Commission ("PSC") order to the PSC for reconsideration, thereby establishing certain exceptions to the rule against retroactive ratemaking: 1) unforeseen and extraordinary events, and 2) misconduct. The PSC's initial order denied a refund request from interexchange carriers and other parties related to the Tax Reform Act of 1986. This action is still in the discovery process. If a formal filing - made in accordance with the remand from the Supreme Court - alleges that the exceptions apply, the range of possible risk is \$0 to \$140.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit
Number

12 Statement regarding computation of earnings to fixed charges ratio of U S WEST Communications, Inc.

(b) Reports on Form 8-K filed during the third quarter

(i) report dated September 14, 1995, concerning U S WEST Communications, Inc.'s form of 6-5/8% Notes due 2005 and form of 7-1/4% Debentures due 2025.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

U S WEST Communications, Inc.

/s/ John W. Putnam
By: _____
John W. Putnam
Vice President-Controller

November 13, 1995

EXHIBIT 12

U S WEST Communications, Inc.
RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in Millions)

	Quarter Ended 9/30/95	Quarter Ended 9/30/94
Income before income taxes	\$ 478	\$ 457
Interest expense (net of amounts capitalized)	98	82
Interest factor on rentals (1/3)	13	16
Earnings	\$ 589	\$ 555
Interest expense	109	89
Interest factor on rentals (1/3)	13	16
Fixed charges	\$ 122	\$ 105
Ratio of earnings to fixed charges	4.83	5.29

	Year-to- date 9/30/95	Year-to- date 9/30/94
Income before income taxes	\$ 1,461	\$ 1,404
Interest expense (net of amounts capitalized)	284	243
Interest factor on rentals (1/3)	44	52
Earnings	\$ 1,789	\$ 1,699
Interest expense	314	263
Interest factor on rentals (1/3)	44	52
Fixed charges	\$ 358	\$ 315
Ratio of earnings to fixed charges	5.00	5.39

ARTICLE 5

CIK: 0000068622

NAME: U S WEST COMMUNICATIONS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	3 MOS	9 MOS
FISCAL YEAR END	DEC 31 1995	DEC 31 1995
PERIOD END	SEP 30 1995	SEP 30 1995
CASH	65	65
SECURITIES	0	0
RECEIVABLES	1,638	1,638
ALLOWANCES	0	0
INVENTORY	160	160
CURRENT ASSETS	2,175	2,175
PP&E	30,498	30,498
DEPRECIATION	17,289	17,289
TOTAL ASSETS	16,136	16,136
CURRENT LIABILITIES	4,392	4,392
BONDS	4,465	4,465
COMMON	7,286	7,286
PREFERRED MANDATORY	0	0
PREFERRED	0	0
OTHER SE	(3,602)	(3,602)
TOTAL LIABILITY AND EQUITY	16,136	16,136
SALES	2,334	6,909
TOTAL REVENUES	2,334	6,909
CGS	0	0
TOTAL COSTS	0	0
OTHER EXPENSES	1,782	5,234
LOSS PROVISION	0	0
INTEREST EXPENSE	98	284
INCOME PRETAX	478	1,460
INCOME TAX	173	543
INCOME CONTINUING	305	917
DISCONTINUED	0	0
EXTRAORDINARY	(5)	(5)
CHANGES	0	0
NET INCOME	300	912
EPS PRIMARY	0	0
EPS DILUTED	0	0

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