

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 June 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 **X** No

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CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
Dollars in millions

	Three Months Ended June 30, 1995	Three Months Ended June 30, 1994	Six Months Ended June 30, 1995	Six Months Ended June 30, 1994
	-----	-----	-----	-----
OPERATING REVENUES				
Local service	\$ 1,076	\$ 1,016	\$ 2,126	\$ 2,001
Interstate access service	591	556	1,180	1,118
Intrastate access service	184	179	372	353
Long-distance network service	294	345	593	696
Other services	153	147	304	293
	-----	-----	-----	-----
Total operating revenues	2,298	2,243	4,575	4,461
OPERATING EXPENSES				
Employee-related expenses	767	738	1,497	1,455
Other operating expenses	365	401	756	799
Taxes other than income taxes	104	98	207	195
Depreciation and amortization	498	470	992	935
	-----	-----	-----	-----
Total operating expenses	1,734	1,707	3,452	3,384
Income from operations	564	536	1,123	1,077
Interest expense	95	81	186	161
Gains on sales of rural telephone exchanges	15	24	78	48
Other expense - net	20	7	33	17
	-----	-----	-----	-----
Income before income taxes	464	472	982	947
Provision for income taxes	175	177	370	355
	-----	-----	-----	-----

NET INCOME

\$	289	\$	295	\$	612	\$	592
=====		=====		=====		=====	

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS (Unaudited)
Dollars in millions

	June 30, 1995	December 31, 1994
	-----	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 45	\$ 114
Accounts receivable	1,552	1,450
Materials and supplies	135	120
Deferred tax asset	284	280
Other	62	48
	-----	-----
Total current assets	2,078	2,012
	-----	-----
Gross property, plant and equipment	29,972	29,406
Accumulated depreciation	16,983	16,444
	-----	-----
Property, plant and equipment - net	12,989	12,962
Other assets	761	726
	-----	-----
Total assets	\$ 15,828	\$ 15,700
	=====	=====

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS (Unaudited)
Dollars in millions

	June 30, 1995	December 31, 1994
	-----	-----
LIABILITIES AND SHAREOWNER'S EQUITY		
Current liabilities		
Short-term debt	\$ 2,262	\$ 1,485
Accounts payable	700	883
Employee compensation	275	283
Current portion of restructuring charges	342	317
Other	1,029	883
	-----	-----
Total current liabilities	4,608	3,851
	-----	-----
Long-term debt	3,977	4,242
Postretirement and other postemployment benefit obligations	2,196	2,393
Deferred taxes, credits and other	1,363	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	\$ 15,828	\$ 15,700
	=====	=====

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
Dollars in millions

Six Months Ended June 30,	1995	1994
-----	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 612	\$ 592
Adjustments		
Depreciation and amortization	991	935
Gains on sales of rural telephone exchanges	(78)	(48)
Deferred income taxes and amortization of investment tax credits	56	50
Changes in operating assets and liabilities:		
Restructuring payments	(172)	(63)
Postretirement medical and life costs, net of cash fundings	(211)	(235)
Accounts receivable	(102)	(29)
Materials, supplies and other	(41)	(37)
Accounts payable and accrued liabilities	41	-
Other - net	5	37
	-----	-----
Cash provided by operating activities	1,101	1,202
	-----	-----
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment	(1,090)	(1,165)
Proceeds from disposals of property, plant and equipment	112	47
	-----	-----
Cash (used) for investing activities	(978)	(1,118)
	-----	-----
FINANCING ACTIVITIES		
Net proceeds from repayment of short-term debt	569	149
Proceeds from Issuance of long-term debt	-	251
Repayments of long-term debt	(132)	(243)
Dividends paid	(629)	(612)
Equity infusions from parent	-	360
	-----	-----
Cash (used for) financing activities	(192)	(95)
	-----	-----
CASH AND CASH EQUIVALENTS		
Decrease	(69)	(11)
Beginning balance	114	67
	-----	-----
Ending balance	\$ 45	\$ 56
	=====	=====

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
 SHAREOWNER'S EQUITY (Unaudited)
 Dollars in millions

Six Months Ended June 30,	1995	1994
-----	-----	-----
COMMON SHARES		
Balance at beginning of period	\$ 7,286	\$ 6,742
Equity infusions from parent	-	360
Other	-	2
	-----	-----
Balance at end of period	7,286	7,104
CUMULATIVE DEFICIT		
Balance at beginning of period	(3,602)	(3,602)
Net income	612	592
Dividends declared	(612)	(592)
	-----	-----
Balance at end of period	(3,602)	(3,602)
TOTAL SHAREOWNER'S EQUITY	\$ 3,684	\$ 3,502
	=====	=====

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"), 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 Proposal

The Board of Directors of U S WEST, Inc. ("U S WEST"), a Colorado corporation, has adopted a proposal (the "Recapitalization Proposal") that would change the state of incorporation of U S WEST from Colorado to Delaware and create two classes of common stock that are intended to reflect separately the performance of U S WEST's communications and multimedia businesses. Under the Recapitalization Proposal, shareholders of U S WEST will be asked to approve an Agreement and Plan of Merger between U S WEST and U S WEST, Inc., a Delaware corporation and wholly owned subsidiary of U S WEST ("U S WEST Delaware"), pursuant to which U S WEST would be merged (the "Merger") with and into U S WEST Delaware with U S WEST Delaware continuing as the surviving corporation. In connection with the Merger, the Certificate of Incorporation of U S WEST Delaware would be amended and restated (as so amended and restated, the "Restated Certificate") to, among other things, designate two classes of common stock of U S WEST Delaware, one class of which would be authorized as U S WEST Communications Group Common Stock ("Communications Stock"), and the other class of which would be authorized as U S WEST Media Group Common Stock ("Media Stock"). Upon consummation of the Merger, each share of existing common stock of U S WEST would be automatically converted into one share of Communications Stock and one share of Media Stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)
(Unaudited)

B. Recapitalization Proposal (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 U S WEST Communications and certain other subsidiaries of U S WEST (the "Communications Group") and 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 Federal Services, Inc., U S WEST Advanced Technologies, Inc. and U S WEST Business Resources, Inc.

Under the Recapitalization Proposal, dividends to be paid to the holders of Communications Stock will initially be at a quarterly rate of \$0.535 per share. Dividends on the Communications Stock will be paid at the discretion of the Board of Directors of U S WEST, Inc., based primarily upon the financial condition, results of operations and business requirements of the Communications Group and U S WEST as a whole.

A preliminary proxy statement on the Recapitalization Proposal was filed with the Securities and Exchange Commission on May 12, 1995, and amendment one was filed on June 30, 1995.

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 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 an interexchange carrier and other parties that relates 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.

Item 2. Management's Analysis (Dollars in millions)

Results of Operations

Comparative details of operations for the six months ended June 30 follow:

Six Months Ended June 30,	1995	1994
-----	-----	-----
Operating revenues	\$4,575	\$4,461
Operating expenses		
Employee-related expenses	1,497	1,455
Other operating expenses	756	799
Taxes other than income taxes	207	195
Depreciation and amortization	992	935
Interest expense	186	161
Gains on sales of rural telephone exchanges	78	48
Other expense - net	33	17
	-----	-----
Income before income taxes	982	947
Provision for income taxes	370	355
	-----	-----
Net income	\$ 612	\$ 592
	=====	=====

For the six months ended June 30, 1995, the Company's net income was \$612, a \$20, or 3.4 percent, increase compared with the same period in 1994. Excluding gains on the sales of certain rural telephone exchanges, of \$49 and \$31 year-to-date 1995 and year-to-date 1994, respectively, net income increased \$2, or .4 percent, as compared to the same period of 1994.

Increased income at U S WEST Communications 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 offset by an increase in operating costs incurred to address current customer service issues.

Volume growth resulted in a 5.1 percent increase in earnings before interest, taxes, depreciation, amortization and other ("EBITDA") for the six months ended June 30, 1995, as compared with the same period of 1994. EBITDA also excludes the sales of certain rural telephone exchanges. The Company considers EBITDA an important indicator of the operational strength and performance 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.

Item 2. Management's Analysis (Dollars in millions)

Sales & Other Revenues

	Six Months Ended June 30, 1995	Six Months Ended June 30, 1994	Price Changes	Lower (Higher) Refunds	Growth	Other	Increase (Decrease) Dollars	Increase (Decrease) Percent
Local service	\$ 2,126	\$ 2,001	\$ 4	\$ -	\$ 121	\$ -	\$ 125	6.2
Interstate access	1,180	1,118	(18)	(10)	90	-	62	5.5
Intrastate access	372	353	(12)	5	19	7	19	5.4
Long-distance network	593	696	(15)	-	(28)	(60)	(103)	(14.8)
Other services	304	293	-	-	-	11	11	3.8
Total revenues	\$ 4,575	\$ 4,461	\$ (41)	\$ (5)	\$ 202	\$ (42)	\$ 114	2.6

Total operating revenues were \$4,575, a \$114, or 2.6 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 509,000 access lines, or 3.6 percent, during the last 12 months. Excluding the effects of the sales of certain rural telephone exchanges, access lines increased by 591,000 lines, or 4.2 percent, during the last 12 months.

Higher revenue from interstate access services resulted from an increase of 9.1 percent in interstate billed access minutes of use in the first six months of 1995 as compared with the same period of 1994, which more than offset the effects of price reductions. Intrastate access charges increased as a result of higher demand and the effects of multiple toll carrier plans implemented in Oregon and Washington in May and June 1994, respectively, partially offset by the impacts of price changes. These regulatory arrangements decreased long-distance network revenues by \$62, increased intrastate access revenues by \$12 and decreased access fees (otherwise paid to independent companies) by \$42.

The increase in other services revenues is largely due to continued market penetration of new service offerings and higher revenues from customer premise equipment installations.

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

Item 2. Management's Analysis (Dollars in millions)

Costs and Expenses

	Six Months Ended June 30, 1995	Six Months Ended June 30, 1994	Increase (Decrease) Dollars	Increase (Decrease) Percent
Employee-related expenses	\$ 1,497	\$ 1,455	\$ 42	2.9
Other operating expenses	756	799	(43)	(5.4)
Taxes other than income taxes	207	195	12	6.2
Depreciation and amortization	992	935	57	6.1
Interest expense	186	161	25	15.5
Other expense-net	33	17	16	94.1
Provision for income taxes	370	355	15	4.2

Higher employee-related expenses are a result of business growth and related customer service issues, which have been impacted by a temporary decline in productivity caused by a major rearrangement of resources due to restructuring. Growth in employee-related expenses is expected to continue throughout the remainder of the year. Overtime payments and contract labor increased employee-related expenses by approximately \$95 from the first six months of 1994 to the first six months of 1995. Partially offsetting these increases were lower health-care benefit costs, including a reduction in the accrual for postretirement benefits, and certain benefit cost true-ups.

Since December 1993, the Company has separated 3,560 employees under the Restructuring Plan. (See "Restructuring Charges.") These separations have been partially offset by the addition of approximately 2,100 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 and data transmission services.

Item 2. Management's Analysis (Dollars in millions)**Costs and Expenses (continued)**

The decrease in other operating expenses was mainly attributable to a \$42 reduction in access expense related to the effects of multiple toll carrier plans. The increase in depreciation and amortization expense was primarily a result of a higher depreciable asset base. Interest expense increased as a result of higher amounts of short-term debt combined with the effects of higher interest rates.

Restructuring Charges

The Company's 1993 results reflect an \$880 restructuring charge (pretax). The related 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, the Company is developing new systems and enhanced system functionality 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 560 customer service centers into 26 centers in 10 cities and reducing its 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.

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)<F1>	\$ 19	\$ 67	\$ 104	\$ 65	\$255
Systems development	118	145	97	-	360
Real estate	50	77	3	-	130
Relocation	21	52	2	-	75
Retraining and other	8	30	12	10	60
	-----	-----	-----	-----	-----
Total cash expenditures	216	371	218	75	880
Remaining 1991 plan employee costs(1)<F1>	56	-	-	-	56
	-----	-----	-----	-----	-----
Total	\$ 272	\$ 371	\$ 218	\$ 75	\$ 936
	=====	=====	=====	=====	=====

<F1>

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

Item 2. Management's Analysis (Dollars in millions)**Restructuring Charges (continued)**

Employee separation costs include severance payments, health-care coverage and postemployment education benefits. Systems 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.

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

	Estimate 1994	Actual 1994 (1) <F1>	Estimate 1995	Estimate 1996	Estimate 1997	Total
Employee separations						
Managerial	1,061	497	862	840	521	2,720
Occupational	1,887	1,683	1,288	2,660	1,649	7,280
	-----	-----	-----	-----	-----	-----
Total	2,948	2,180	2,150	3,500	2,170	10,000
	=====	=====	=====	=====	=====	=====

	Estimate 1994	Actual 1994 (1) <F1>	Estimate 1995	Estimate 1996	Estimate 1997	Total
Employee separation amounts						
Managerial	\$ 22	\$ 5	\$ 31	\$ 30	\$ 19	\$ 85
Occupational	15	14	36	74	46	170
	-----	-----	-----	-----	-----	-----
Total	37	19	67	104	65	255
Remaining 1991 reserve	56	56	-	-	-	56
	-----	-----	-----	-----	-----	-----
Total	\$ 93	\$ 75	\$ 67	\$ 104	\$ 65	\$ 311
	=====	=====	=====	=====	=====	=====

<F1>

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

Item 2. Management's Analysis (Dollars in millions)**Restructuring Charges (continued)****Employee Separation (continued)**

Compared with the original estimates, employee reduction and separation amounts shown above have been reduced by 1,319 employees and \$35, respectively, in 1995, and increased by 900 employees and \$18 in 1996 and 2,170 employees and \$65 in 1997, respectively.

Systems Development. The Company's 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 Company's 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.

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 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
	=====	=====	=====	=====	=====

Item 2. Management's Analysis (Dollars in millions)

Restructuring Charges (continued)

Systems Development (continued)

The Company continues to review its estimates of systems expenditures under the Restructuring Plan. Management does not anticipate any material revisions in total estimated expenditures. 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. The key related administrative (i.e. general purpose) systems 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.

Progress Under the Restructuring Plan. Following is a reconciliation of restructuring activity since December 1993:

	Reserve Balance 12/31/93	1994 Activity	Reserve Balance 12/31/94	First Half 1995 Activity	Change in Relocation/ Employee Separation Estimates	Reserve Balance 6/30/95
Employee Separations						
Managerial	\$ 75	\$ 5	\$ 70	\$ 11	\$ 7	\$ 66
Occupational	150	14	136	28	23	131
Total	225	19	206	39	30	197
System Development						
Service delivery	73	21	52	7		45
Service assurance	64	12	52	11		41
Capacity provisioning	179	57	122	47		75
All other	44	28	16	0		16
Total	360	118	242	65		177
Real Estate	130	50	80	50		30
Relocation	105	21	84	10	(30)	44
Retraining & other	60	8	52	9		43
Total	880	216	664	173	-	491
Remaining 1991 plan costs	56	56	-	-	-	-
Total	\$ 936	\$ 272	\$ 664	\$ 173	-	\$ 491

Item 2. Management's Analysis (Dollars in millions)

Restructuring Charges (continued)

Progress Under the Restructuring Plan: (continued)

	1994 Separations	First Half 1995 Separations	Cumulative Separations At June 30, 1995
	-----	-----	-----
Employee separations			
Managerial	497	324	821
Occupational	1,683	1,056	2,739
	-----	-----	-----
Total	2,180	1,380	3,560
	=====	=====	=====

Recapitalization Proposal

The Board has adopted a proposal that would change the state of incorporation of U S WEST 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 Proposal see Footnote B in the Notes to the Consolidated Financial Statements.

A preliminary proxy statement on the Recapitalization Proposal was filed with the Securities and Exchange Commission on May 12, 1995, and amendment one was filed on June 30, 1995.

Other Items

U S WEST from time to time engages in discussions regarding acquisitions. U S WEST may fund such acquisitions with internally generated funds, debt or equity. The incurrence of indebtedness to fund such acquisitions and/or the assumption of indebtedness in connection with acquisitions, if significant, could result in a downgrading of the credit rating of U S WEST and/or the Company.

Broadband

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, however, in order to fully assess the results of the Omaha trials and examine alternative technologies, including wireless cable and direct broadcast satellite services, U S WEST Communications withdrew the Broadband Applications. The Communications Group plans to incorporate the results of the Omaha trials , as well as applicable new technologies, into its Broadband Network architecture in order to develop an advanced Broadband Network that is responsive to the needs of customers.

Item 2. Management's Analysis (Dollars in millions)

OTHER ITEMS (continued)

Regulatory

Though Congress failed to pass telecommunications reform legislation in 1994, new telecommunications legislation has been introduced in both houses in 1995.

The Senate passed a bill on June 16, 1995, and the House of Representatives passed a bill on August 4, 1995. The thrust of this legislation is to open up the network of local exchange carriers to further competition and to eliminate certain prohibitions upon local exchange carriers entering into other lines of business. The proposed legislation would (i) open local exchange service to competition and preempt states from imposing barriers preventing such competition, (ii) impose new unbundling and interconnection requirements on local exchange carrier networks, (iii) remove the MFJ prohibitions on interLATA services and manufacturing if certain competitive conditions are met, (iv) transfer any remaining MFJ requirements (including the MFJ's nondiscrimination provisions) to the FCC's jurisdiction, (v) impose requirements to conduct certain competitive activities only through structurally separate affiliates, and (vi) eliminate many of the remaining cable and telephone company cross-ownership restrictions. There is, however, uncertainty concerning the outcome of such legislation and whether key differences between the House and Senate bills could be resolved in Conference Committee. The passing of such legislation would significantly change the competitive landscape of the telecommunications industry as a whole.

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 Commission's initial order denied a refund request from an interexchange carrier and other parties that relates 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 second quarter

(i) report dated June 20, 1995, concerning U S WEST, Inc.'s announcement with respect to key executive changes.

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.

/s/ John W. Putnam

*U S WEST Communications, Inc.
John W. Putnam
Vice President and Controller*

August 9, 1995

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

	Quarter Ended	
	6/30/95	6/30/94
Income before income taxes	\$465	\$472
Interest expense (net of amounts capitalized)	95	81
Interest factor on rentals (1/3)	16	18
Earnings	\$576	\$571
Interest expense	105	88
Interest factor on rentals (1/3)	16	18
Fixed charges	\$121	\$106
Ratio of earnings to fixed charges	4.76	FALSE

	Year-to-Date	
	6/30/95	6/30/94
Income before income taxes	\$983	\$947
Interest expense (net of amounts capitalized)	186	161
Interest factor on rentals (1/3)	31	36
Earnings	\$1,200	\$1,144
Interest expense	205	174
Interest factor on rentals (1/3)	31	36
Fixed charges	\$236	\$210
Ratio of earnings to fixed charges	5.08	5.45

ARTICLE 5

CIK: 0000068622

NAME: U S WEST COMMUNICATIONS, INC.

MULTIPLIER: 1,000,000

PERIOD TYPE	3 MOS	6 MOS
FISCAL YEAR END	DEC 31 1995	DEC 31 1995
PERIOD END	JUN 30 1995	JUN 30 1995
CASH	45	45
SECURITIES	0	0
RECEIVABLES	1,552	1,552
ALLOWANCES	0	0
INVENTORY	135	135
CURRENT ASSETS	2,078	2,078
PP&E	29,972	29,972
DEPRECIATION	16,983	16,983
TOTAL ASSETS	15,828	15,828
CURRENT LIABILITIES	4,608	4,608
BONDS	3,977	3,977
COMMON	7,286	7,286
PREFERRED MANDATORY	0	0
PREFERRED	0	0
OTHER SE	(3,602)	(3,602)
TOTAL LIABILITY AND EQUITY	15,828	15,828
SALES	2,298	4,575
TOTAL REVENUES	2,298	4,575
CGS	0	0
TOTAL COSTS	0	0
OTHER EXPENSES	1,734	3,452
LOSS PROVISION	0	0
INTEREST EXPENSE	95	186
INCOME PRETAX	464	982
INCOME TAX	175	370
INCOME CONTINUING	289	612
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	289	612
EPS PRIMARY	0	0
EPS DILUTED	0	0

End of Filing

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