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BY NW Pipeline Corp
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GARY L. OLSON

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SUPERIOR COURT
SPOKANE COUNTY, WA

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SUPERIOR COURT, STATE OF WASHINGTON, COUNTY OF SPOKANE

NORTHWEST PIPELINE CORPORATION, a Delaware corporation, and U S WEST COMMUNICATIONS, INC., (Formerly Pacific Northwest Bell Telephone Company, Inc.), Plaintiffs, vs. SPOKANE COUNTY, ADAMS COUNTY, ASOTIN COUNTY, BENTON COUNTY, CHELAN COUNTY, COLUMBIA COUNTY, COWLITZ COUNTY, DOUGLAS COUNTY, FERRY COUNTY, FRANKLIN COUNTY, GARFIELD COUNTY, GRANT COUNTY, GRAYS HARBOR COUNTY, JEFFERSON COUNTY, KING COUNTY, KITSAP COUNTY, KITTITAS COUNTY, KLICKITAT COUNTY, LEWIS COUNTY, LINCOLN COUNTY, MASON COUNTY, OKANOGAN COUNTY, PACIFIC COUNTY, PEND OREILLE COUNTY, PIERCE COUNTY, SAN JUAN COUNTY, SKAGIT COUNTY, SKAMANIA COUNTY, SNOHOMISH COUNTY, STEVENS COUNTY, THURSTON COUNTY, WAHKIAKUM COUNTY, WALLA WALLA COUNTY, WHATCOM COUNTY, WHITMAN COUNTY, YAKIMA COUNTY, WATSBURG CITY and THE WASHINGTON STATE DEPARTMENT OF REVENUE, Defendants.	NO. 91-2-03000-1 **SUMMONS ON AMENDED COMPLAINT**

TO THE DEFENDANTS: A lawsuit has been started against you in the above-entitled Court by NORTHWEST PIPELINE CORPORATION and U S WEST COMMUNICATIONS, INC., plaintiffs. Plaintiffs' claim is stated in the written Amended Complaint, a copy of which is served upon you with this Summons.

P2931SCA.FIA-K013192

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In order to defend against this lawsuit, you must respond to the Amended Complaint by stating your defense in writing, and by serving a copy upon the person signing this Summons, within twenty (20) days after the service of this Summons, excluding the day of service, or a default judgment may be entered against you without notice. A default judgment is one where plaintiffs are entitled to what they ask for because you have not responded. If you serve a Notice of Appearance on the undersigned person, you are entitled to notice before a default judgment may be entered.

If you wish to seek the advice of an attorney in this matter, you should do so promptly so that your written response, if any, may be served on time.

This Summons is issued pursuant to Rule 4 of the Superior Court Civil Rules of the State of Washington.

DATED this 31 day of January, 1992.

LUKINS & ANNIS, P.S.

By /s/ Linda G. Tompkins for
EUGENE I. ANNIS, WSB #02112
Attorneys for Plaintiffs

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SUPERIOR COURT, STATE OF WASHINGTON, COUNTY OF SPOKANE

NORTHWEST PIPELINE CORPORATION, a Delaware Corporation, and U S WEST COMMUNICATIONS, INC., (Formerly Pacific Northwest Bell Telephone Company, Inc.), Plaintiffs, vs. SPOKANE COUNTY, ADAMS COUNTY, ASOTIN COUNTY, BENTON COUNTY, CHELAN COUNTY, CLALLAM COUNTY, CLARK COUNTY, COLUMBIA COUNTY, COWLITZ COUNTY, DOUGLAS COUNTY, FERRY COUNTY, FRANKLIN COUNTY, GARFIELD COUNTY, GRANT COUNTY, GRAYS HARBOR COUNTY, JEFFERSON COUNTY, KING COUNTY, KITSAP COUNTY, KITTITAS COUNTY, KLICKITAT COUNTY, LEWIS COUNTY, LINCOLN COUNTY, MASON COUNTY, OKANOGAN COUNTY, PACIFIC COUNTY, PEND OREILLE COUNTY, PIERCE COUNTY, SAN JUAN COUNTY, SKAGIT COUNTY, SKAMANIA COUNTY, SNOHOMISH COUNTY, STEVENS COUNTY, THURSTON COUNTY, WAHKIAKUM COUNTY, WALLA WALLA COUNTY, WHATCOM COUNTY, WHITMAN COUNTY, YAKIMA COUNTY, WAITSBURG CITY AND THE WASHINGTON STATE DEPARTMENT OF REVENUE, Defendants.	CASE NO. 91203000-1 JUDGE MICHAEL E. DONOHUE AMENDED COMPLAINT FOR REFUND OF PROPERTY TAXES PAID UNDER PROTEST

On January 24, 1992, the Court entered its Second Amended Case Schedule Order in this matter, based upon the consent of all parties. Pursuant to the Second Amended Case

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Schedule Order, Northwest Pipeline Corporation ("Northwest Pipeline") was allowed until January 31, 1992, to amend its June 28, 1991 Complaint.

Pursuant to the Second Amended Case Schedule Order and CR 15 and 20, Northwest hereby amends its June 28, 1991 Complaint to add, among other things, claims with respect to the 1990 tax year; U S WEST Communications, Inc., formerly Pacific Northwest Bell Telephone Company, Inc. ("USWC/PNB"), as a Plaintiff; and Waitsburg City and Asotin, Clallam, Columbia, Douglas, Ferry, Garfield, Jefferson, Kitsap, Okanogan, Pacific, Pend Oreille, San Juan, Stevens, and Wahkiakum Counties as Defendants with respect to Plaintiff USWC/PNB only.

Accordingly, the June 28, 1991 Complaint is amended and realleged in its entirety as follows:

Northwest Pipeline and USWC/PNB (collectively the "Plaintiffs"), by and through their counsel, Lukins & Annis and Holme Roberts & Owen, upon information and belief, allege and for causes of action state as follows:

JURISDICTION AND VENUE

1. Northwest Pipeline is a Delaware corporation that owns and operates a federally regulated natural gas transmission system in seven western states: Colorado, Idaho, New Mexico, Oregon, Utah, Washington and Wyoming.

2. USWC/PNB is a Colorado corporation that owns and operates a federally and state regulated telecommunications services and data solutions system serving approximately 25 million residential and business customers in 14 western and midwestern states, including Washington.

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3. Northwest Pipeline maintains its corporate offices and principal place of business in Salt Lake City, Utah.

4. USWC/PNB maintains its corporate offices and principal place of business in Denver, Colorado.

5. Northwest Pipeline is a wholly owned subsidiary of The Williams Companies, Inc. ("Williams"). Williams is a Delaware corporation with its corporate offices and principal place of business in Tulsa, Oklahoma.

6. USWC/PNB is a wholly owned subsidiary of U S WEST, Inc., a Colorado corporation with its corporate offices and principal place of business in Englewood, Colorado.

7. Within the State of Washington, Northwest Pipeline owns and operates approximately 1,358 miles of gas pipeline, 10 compressor stations, 85 meter stations, approximately 30 sales taps, 4 district maintenance offices, 1 underground storage facility and 1 liquefied natural gas plant (collectively the "Northwest Pipeline Property").

8. Within the State of Washington, USWC/PNB owns and operates an integrated telecommunications services and data solutions system comprised of both real and personal property (collectively the "USWC/PNB Property").

9. The Northwest Pipeline Property is located in Spokane, Adams, Benton, Chelan, Clark, Cowlitz, Franklin, Grant, Grays Harbor, King, Kittitas, Klickitat, Lewis, Lincoln, Mason, Pierce, Skagit, Skamania, Snohomish, Thurston, Walla Walla, Whatcom, Whitman, and Yakima Counties, counties collectively comprising twenty four of the Defendants in this action (hereinafter collectively referred to as the "Northwest Pipeline Defendant Counties").

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10. The USWC/PNB Property is located in Spokane County and in the other thirty-seven Washington counties (hereinafter collectively referred to as the "Defendant Counties") and Waitsburg City that are Defendants in this action.

11. The Northwest Pipeline Property and the USWC/PNB Property (hereinafter collectively referred to as the "Property") are each "operating property" as defined in Wash. Rev. Code §§ 84.12.200(16) and 84.68.050 (hereinafter cited as "RCW"), and are each assessed as a unit for *ad valorem* property tax purposes by the Defendant, Washington Department of Revenue (the "Department"), pursuant to RCW § 84.12.300.

12. The Department has offices in Olympia, Pasco, Spokane, Wenatchee and Yakima.

13. The Department has assessors and officers that value property in each of the Defendant Counties.

14. All of the Defendants, except the Department, and Waitsburg City, are counties with their county seats at various locations within the State of Washington. Waitsburg City is a chartered municipal corporation located in Walla Walla County.

15. As of January 1, 1989, January 1, 1990, and January 1, 1991, the Department calculated unit values for the operating property of Northwest Pipeline located in seven western states including Washington. The Department allocated a portion of these unit values to the State of Washington. The allocated Washington values for Northwest Pipeline were then apportioned by the Department among the Northwest Pipeline Defendant Counties.

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16. Pursuant to RCW 84.12.350, the Department purported to equalize Northwest Pipeline's apportioned values based upon the Department's calculated ratios of assessed to actual values for general property in each of the Northwest Pipeline Defendant Counties. The Northwest Pipeline Defendant Counties then levied and collected property taxes from Northwest Pipeline based upon Northwest Pipeline's January 1, 1989 and January 1, 1990 equalized, apportioned values. The property taxes based upon Northwest Pipeline's January 1, 1991 equalized, apportioned values are not payable by Northwest Pipeline prior to April 30, 1992.

17. As of January 1, 1990, and January 1, 1991, the Department calculated a unit value for the operating property of USWC/PNB located in Washington, Oregon and a portion of Idaho. The Department allocated a portion of USWC/PNB's unit values to the State of Washington. The allocated Washington values for USWC/PNB were then apportioned by the Department among the Defendant Counties and Waitsburg City.

18. Pursuant to RCW 84.12.350, the Department further purported to equalize USWC/PNB's apportioned values based upon its calculated ratios of assessed to actual values for general property in each of the Defendant Counties and Waitsburg City. The Defendant Counties and Waitsburg City then levied and collected property taxes from USWC/PNB based upon USWC/PNB's January 1, 1990 equalized, apportioned values. The property taxes based upon USWC/PNB's January 1, 1991 equalized, apportioned values are not payable by USWC/PNB prior to April 30, 1992.

19. Pursuant to RCW § 84.68.020, on or about October 22, 1990, Northwest Pipeline paid the second installment of

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its 1990 property taxes, based upon the Department's January 1, 1989 valuation, under protest to each of the Northwest Pipeline Defendant Counties. Pursuant to RCW § 84.68.020, on or about April 29, 1991, and October 29, 1991, Northwest Pipeline also paid the first and second installments, respectively, of its 1991 property taxes, based upon the Department's January 1, 1990 valuation, under protest to each of the Northwest Pipeline Defendant Counties. Prior to commencement of the trial of this matter, currently scheduled for August 31, 1992, Northwest Pipeline further intends to pay its 1992 property taxes, based upon the Department's January 1, 1991 valuation, under protest to each of the Northwest Pipeline Defendant Counties pursuant to RCW § 84.68.020.

20. Pursuant to RCW § 84.68.020, on or about April 29, 1991, and October 11, 1991, USWC/PNB paid the first and second installments, respectively, of its 1991 property taxes, based upon the Department's January 1, 1990 valuation, under protest to each of the Defendant Counties and Waitsburg City. Prior to commencement of the trial of this matter currently scheduled for August 31, 1992, USWC/PNB also intends to pay its 1992 property taxes, based upon the Department's January 1, 1991 valuation, under protest to each of the Defendant Counties pursuant to RCW § 84.68.020.

21. Pursuant to RCW § 84.68.020, this Court has subject matter jurisdiction of the claims asserted herein.

22. Pursuant to RCW § 84.68.050, venue of this action is properly laid in this Court.

FIRST CLAIM FOR RELIEF
(Unlawful and Excessive Taxation)

23. Plaintiffs reallege and incorporate by reference

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the allegations set forth in paragraphs 1 through 22 above, as if fully set forth herein.

24. Pursuant to RCW § 84.12.270, the Department is required to annually determine the "true cash value" of Plaintiffs' operating property in Washington for the purpose of imposing the *ad valorem* property tax.

25. For assessment years 1989, 1990 and 1991, the Department determined the "true cash value" as of January 1 of each year of all of Northwest Pipeline's operating property, wherever located, as a single unit. Pursuant to RCW § 84.12.300, the Department then allocated a portion of Northwest Pipeline's unit value to the State of Washington pursuant to RCW § 84.12.300.

26. For assessment years 1990 and 1991, the Department determined the "true cash value" as of January 1 of each year of all of USWC/PNB's operating property in the states of Washington, Oregon and a portion of Idaho as a single unit. Pursuant to RCW § 84.12.300, the Department then allocated a portion of this unit value to the State of Washington.

27. To determine the unit value of Northwest Pipeline's operating property as of January 1, 1989, the Department calculated and correlated two separate approaches to value: historical cost loss depreciation ("HCLD") and direct capitalization. The Department used these approaches as its cost and income approaches to value, respectively. To determine the unit values of Northwest Pipeline's operating property as of January 1, 1990, and January 1, 1991, the Department calculated and correlated three separate approaches of value: HCLD, direct capitalization, and stock and debt.

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The Department used these three approaches as its cost, income and market approaches to value, respectively.

28. To determine the unit values of USWC/PNB's three-state operating property as of January 1, 1990, and January 1, 1991, the Department calculated and correlated three separate approaches of value: HCLD, direct capitalization and stock and debt. The Department used these three approaches as its cost, income and market approaches to value, respectively.

29. The Department's correlated unit values for Northwest Pipeline's operating property were: $800,000,000 as of January 1, 1989; $825,000,000 as of January 1, 1990; and $725,000,000 as of January 1, 1991.

30. The Department's correlated unit values for USWC/PNB's three-state operating property were: $3,700,000,000 as of January 1, 1990; and $3,700,000,000 as of January 1, 1991.

31. After determining the correlated unit value of Northwest Pipeline's operating property, the Department made an adjustment to remove the estimated value of Northwest Pipeline's non-depreciable, stored gas inventory from the unit value. Northwest Pipeline's adjusted system values were: $691,380,100 as of January 1, 1989; $736,828,933 as of January 1, 1990; and $652,435,710 as of January 1, 1991.

32. The Department then allocated a portion of Northwest Pipeline's adjusted system values to the State of Washington and further adjusted these allocated values for the estimated percentage of Northwest Pipeline's operating property in the State of Washington. After making these allocations and adjustments for non-taxable property, the Department determined the market (true cash) values of

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Northwest Pipeline's taxable Washington operating property to be: $113,920,000 as of January 1, 1989; $141,646,000 as of January 1, 1990; and $107,600,000 as of January 1, 1991. These values were then apportioned by the Department among the Northwest Pipeline Defendant Counties.

33. After determining the correlated unit values of USWC/PNB's three-state operating property, the Department allocated a portion of these unit values to the State of Washington. The allocation methodology utilized by the Department for USWC/PNB's three-state operating property was different from the allocation methodology utilized by the Department for Northwest Pipeline's operating property and is not challenged by USWC/PNB. The amounts allocated by the Department to the State of Washington for USWC/PNB's three-state operating property were: $2,356,900,000 as of January 1, 1990; and $2,393,530,000 as of January 1, 1991.

34. The Department made several valuation adjustments to USWC/PNB's Washington allocated values to remove values attributable to USWC/PNB's non-operating and non-taxable property. After making these adjustments, the Department determined the true cash value of USWC/PNB's taxable, operating property in Washington to be: $2,170,000,000 as of January 1, 1990; and $2,210,000,000 as of January 1, 1991. These values were then apportioned and equalized by the Department among the Defendant Counties and Waitsburg City.

35. The aggregate amounts of the property taxes levied and collected on Northwest Pipeline's Property by the Northwest Pipeline Defendant Counties, based upon their respective, equalized, apportioned values were: $1,562,323, based upon the Department's January 1, 1989 valuation; and

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$2,010,193, based upon the Department's January 1, 1990 valuation.

36. The aggregate amount of the property taxes levied and collected on USWC/PNB's Property by the Defendant Counties and Waitsburg City, based upon their respective, equalized, apportioned shares of the Department's January 1, 1990 valuation was $27,141,264.

37. The property taxes levied against the Property based upon the Department's valuations are "unlawful and excessive" as described in RCW § 84.68.020.

38. Northwest Pipeline's ownership and operation of the Northwest Pipeline Property is extensively regulated by the Federal Energy Regulatory Commission ("FERC"). As a regulated utility, Northwest Pipeline must comply with the accounting and regulatory conventions and restrictions adopted by FERC.

39. USWC/PNB's ownership and operation of the USWC/PNB Property is extensively regulated by the Federal Communications Commission ("FCC") and by the Washington Utilities and Transportation Commission ("WUTC") and its counterparts in the states of Oregon and Idaho. As a regulated utility, USWC/PNB must comply with the accounting and regulatory conventions and restrictions adopted by these regulatory authorities. (FERC, FCC and WUTC and its state counterparts in Oregon and Idaho are sometimes hereinafter collectively referred to as the "Regulatory Authorities.")

40. When applied to a regulated public utility like Northwest Pipeline or USWC/PNB, the traditional appraisal approaches to value, including without limitation, cost, income, and market, must be adjusted in order to estimate the true cash value of the regulated utility's property.

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41. The Department's valuations of the Property are excessive because, among other errors, the Department did not make the adjustments to its approaches to value that are necessary to account for the economic impacts of the pervasive regulation imposed by the Regulatory Authorities.

42. For example, if the cost indicator is to be an accurate indicator of true cash value, it must be adjusted to account for the economic effects of regulation. The cost indicator should, therefore, approximate the amount of Northwest Pipeline's and USWC/PNB's respective rate bases as determined by the Regulatory Authorities, subject to additional adjustments for construction work in progress ("CWIP") and obsolescence.

43. In the absence of compelling circumstances, which the Department has failed to demonstrate, the amount of Northwest Pipeline's and USWC/PNB's respective regulatory rate bases, subject to adjustments for CWIP and obsolescence, must also be considered by the Department as an additional indicator of the true cash value of their respective operating properties.

44. The estimated rate base of Northwest Pipeline's operating property was: $628,928,890 as of December 31, 1988; $586,442,743 as of December 31, 1989; and $473,408,082 as of December 31, 1990.

45. The estimated rate base of USWC/PNB's three-state operating property was: $2,739,498,995 as of December 31, 1989; and $2,835,916,840 as of December 31, 1990.

46. Other valuation errors in the Department's appraisals of the Property include, but are not limited to, the following:

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A. The Department's HCLD approach overstates the true cash value of the Property because it fails to include any adjustment for obsolescence, including without limitation economic obsolescence associated with "book" costs upon which Northwest Pipeline and USWC/PNB are not allowed to earn income by the Regulatory Authorities, and functional obsolescence associated with the rapid technological advances affecting USWC/PNB's telecommunications equipment.

B. The Department incorrectly calculated and estimated the levels of income for Northwest Pipeline and USWC/PNB utilized in its direct capitalization approach.

C. The capitalization rate/financial performance ratios applied by the Department to its estimates of Northwest Pipeline's and USWC/PNB's incomes were not drawn from companies comparable to Northwest Pipeline or USWC/PNB, respectively, do not accurately reflect their respective market costs for equity or debt financing, and ignore the economic impact of their respective regulatory constraints.

D. The Department was also inconsistent in its selection of capitalization rates/financial performance ratios during the relevant assessment years. The capitalization rate/financial performance ratios utilized by the Department in its direct capitalization approach for Northwest Pipeline as of January 1, 1989, and for Northwest Pipeline and USWC/PNB as of January 1, 1990, were based upon ratios derived from the reported earnings of other

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non-comparable, conglomerate companies to their stock prices, sometimes referred to as earnings to price ratios ("E/P ratios"). Although the Department also utilized E/P ratios in its direct capitalization approach for USWC/PNB as of January 1, 1991, it utilized different ratios for Northwest Pipeline based upon ratios derived from the cash flows of other non-comparable, conglomerate companies to their stock prices, sometimes referred to as cash flow to price ratios ("CF/P ratio").

E. The Department incorrectly and inconsistently calculated and applied the traditional direct capitalization approach. As a result, the Department's direct capitalization approaches based upon non-comparable E/P ratios and CF/P ratios overstate the true cash value of Plaintiff's Property. Because of the unreliability of the Department's inconsistent and non-traditional application of the direct capitalization approach, it should not have been used by the Department as its exclusive "income" approach to value. Moreover, the Department's inconsistent and non-traditional application of the direct capitalization approach is theoretically identical to its stock and debt ("market") approach. Accordingly, the Department erred in not considering one or more separate income approaches to value in conjunction with its two "market" approaches.

F. The stock and debt approaches used by the Department to value Plaintiff's Property as of January 1, 1990 and January 1, 1991, should be given

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little or no weight because there is no reliable data or methodology to allocate the gross stock value of a diversified, non-regulated, publicly-traded conglomerate, like Williams or U S WEST, Inc., among the various non-publicly traded subsidiaries of the conglomerate, like Northwest Pipeline and USWC/PNB. Even the Department itself has apparently recognized the unreliability of its stock and debt approach as demonstrated by its decision not to even calculate a stock and debt approach for Northwest Pipeline's Property as of January 1, 1989, let alone place any weight upon this approach in the correlation process.

G. Even if a properly calculated stock and debt were to be given some little weight in the correlation process, the Department's stock and debt approaches overstate the stock value of both Williams and U S WEST, Inc.; make no adjustment for nontaxable items; inaccurately allocate a portion of the stock (equity) values of Williams to its subsidiary, Northwest Pipeline, and of U S WEST, Inc. to its subsidiary, USWC/PNB, understate the influence of cellular operations by subsidiaries other than USWC/PNB on the stock price of U S WEST, Inc., and understate the market rates for Northwest Pipeline's and USWC/PNB's respective debt issues.

H. The weightings assigned by the Department for its two or three approaches in arriving at correlated values for the Property do not reflect the relative reliability of these approaches as indicators of the true cash value of the Property. Nor do the Department's correlations reflect the

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inconsistent application by the Department of its approaches between different years and between different taxpayers or the Department's use of one or two theoretically identical "market" approaches, and no separate "income" approach.

I. The methods used by the Department to allocate a portion of Northwest Pipeline's estimated system value to the State of Washington and to adjust for the estimated value of Northwest Pipeline's non-taxable property as of January 1 of each of 1989, 1990, and 1991 were incorrect. Moreover, the method used by the Department in each of these years was inconsistent with the method used by the Department in each of the other years. Although still incorrect, the method used by the Department for its January 1, 1991 valuation most closely approximates the proper method for determining the true cash value of Northwest Pipeline's taxable, Washington operating property.

J. Each of the six other western states in which Northwest Pipeline's property is located uses the same method for allocating a portion of the estimated unit value of Northwest Pipeline's property to their respective state. The method used by the Department to allocate a portion of the unit value of Northwest Pipeline's Property to the State of Washington is inconsistent with the allocation method used for Northwest Pipeline by each of these six other western states. Because Washington's allocation method for Northwest Pipeline is inconsistent with the allocation method used for

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Northwest Pipeline by the six other western states, when Northwest Pipeline's Washington allocated value is added to Northwest Pipeline's allocated values in the six other western states, Northwest Pipeline is effectively taxed upon allocated property values exceeding 100% of the combined unit value of its property. As a result, the Department's allocation methodology for Northwest Pipeline improperly imports value from other states to Washington.

SECOND CLAIM FOR RELIEF
(Violation of Due Process)

47. Plaintiffs reallege and incorporate by reference the allegations set forth in paragraphs 1 through 46 above, as if fully set forth herein.

48. As a result of the errors in its valuation and allocation methodologies, the Department significantly over-valued the Property. This significant over-valuation is grossly excessive and taxes property having no substantial nexus with the State of Washington. Accordingly, these methodologies violate the Due Process Clauses of the United States and Washington Constitutions. U.S. Const. amend. XIV, § 1 and Wash. Const. art. I, § 3.

49. The Department's direct capitalization approaches utilized E/P and CF/P ratios calculated for certain diversified, non-regulated, publicly-traded conglomerates. The E/P and CF/P ratios calculated by the Department for these non-comparable conglomerates were then applied to (divided into) the Department's estimates of Plaintiffs' respective incomes to calculate estimates of Plaintiffs' respective equity values.

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50. Similarly, the Department's stock and debt approaches utilized the trading prices of the common stock of Williams and U S WEST, Inc., also diversified, non-regulated, publicly traded conglomerates, to estimate values for the common equity of Williams and U S WEST, Inc. The Department then allocated a portion of these estimated equity values to Northwest Pipeline and USWC/PNB, respectively, by applying various ratios comparing Northwest Pipeline with the nearly 60 other subsidiaries of its corporate parent, Williams, and comparing USWC/PNB to the nearly 100 other subsidiaries of its corporate parent, U S WEST, Inc.

51. The stock prices used by the Department in its direct capitalization and stock and debt approaches necessarily captured the value of all of the tangible and intangible property owned by the non-regulated, publicly-traded, conglomerate holding companies, including Williams and U S WEST, Inc., selected by the Department for comparison with Plaintiffs. The Department's application in its direct capitalization approach of the E/P and CF/P ratios calculated for these conglomerates to the Department's estimates of the income of Northwest Pipeline and USWC/PNB necessarily and arbitrarily assumes that Northwest Pipeline and USWC/PNB own properties comparable to the property of these conglomerates with comparable risks and income generating potential. Similarly, the use of various ratios in the Department's stock and debt approach to allocate a portion of the estimated value of the common equity of Williams and U S WEST, Inc., to Northwest Pipeline and USWC/PNB, respectively, necessarily and arbitrarily assumes that Northwest Pipeline and USWC/PNB own properties with costs, risks and income generating potential comparable to the property of each of the dozens of other,

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subsidiaries of Williams and U S WEST, Inc. Because Northwest Pipeline and USWC/PNB generally do not engage in the same businesses as these non-comparable conglomerates or their subsidiaries and are subject to extensive regulatory constraints generally not applicable to these companies, the assumption that Northwest Pipeline and USWC/PNB own comparable properties with comparable costs, risks and income generating potential is clearly erroneous.

52. Because Northwest Pipeline and USWC/PNB do not own properties comparable to those owned by the conglomerates and their subsidiaries used by the Department to develop its direct capitalization and stock and debt approaches, the Department's application of the ratios developed from these non-comparable companies to Northwest Pipeline and USWC/PNB necessarily and arbitrarily imputes to Northwest Pipeline and USWC/PNB values dependent upon the ownership and non-regulated operation of property that they do not own and cannot operate.

53. The unreliability and arbitrariness of the Department's direct capitalization and stock and debt approaches is further demonstrated by the extreme sensitivity of the stock prices used by the Department in both approaches to global economic and political factors affecting the public stock exchanges that are not directly related to any property owned by either Northwest Pipeline or USWC/PNB or by any of the conglomerates or their subsidiaries selected by the Department as "comparables."

54. The Department's application to Northwest Pipeline and USWC/PNB of ratios computed for non-comparable companies, coupled with its failure to make any adjustments for the economic impacts of regulation or factors affecting the public stock exchanges, resulted in arbitrary valuations

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of the Property that are grossly excessive. These arbitrary and grossly excessive valuations resulted in the imposition of excessive taxes and confiscated Northwest Pipeline's and USWC/PNB's property without due process of the law in violation the Due Process Clauses of the United States and Washington Constitutions. U.S. Const. amend. XIV, § 1, and Wash. Const. art. I, § 3.

THIRD CLAIM FOR RELIEF
(Violation of Tax Uniformity, Due Process and Equal Protection)

55. Plaintiffs reallege and incorporate by reference the allegations set forth in paragraphs 1 through 54 above, as if fully set forth herein.

56. Article VII, Section 1 of the Washington Constitution provides that "[a]ll taxes shall be uniform upon the same class of property." "The word 'property' as used herein shall mean and include everything whether tangible or intangible, subject to ownership."

57. Plaintiffs are informed that the valuation, reporting, assessment, and equalization methodologies used by the Defendants for their properties are not uniformly applied to some similarly situated property located in the State of Washington.

58. Plaintiffs are further informed that the reporting systems used by the Defendants to identify property owned by some taxpayers fail to identify some tangible and intangible property similar to that assessed to Plaintiffs. As a result, this unreported tangible and intangible property of other taxpayers is not assessed to such other taxpayers by the Defendants, while similar property is assessed to Plaintiffs by the Defendants.

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59. These disparities cause Plaintiffs' Property to be assessed at values substantially in excess of its true cash value, while some similarly situated property is assessed at or below its true cash value, or is not assessed at all. These differences in the relative valuation levels of property in the same class, coupled with the Defendants' failure to assess some types of property owned by other similarly situated taxpayers, violate the Uniformity and Privileges and Immunities Clauses of the Washington Constitution, the Equal Protection Clause of the United States Constitution and the Due Process Clauses of both Constitutions. Wash. Const. art. VII, § 1, U.S. Const. amend. XIV, § 1, and Wash. Const. art. I, §§ 3 and 12.

FOURTH CLAIM FOR RELIEF
(Violation of Equalization Requirements)

60. Plaintiffs reallege and incorporate by reference the allegations set forth in paragraphs 1 through 59 above, as if fully set forth herein.

61. RCW § 84.12.350 requires the Department to equalize the assessed value of the Property by applying to such "value the same ratio as the ratio of assessed to actual value of the general property in [each] county" in which the Property is located.

62. As set forth in the previous claim for relief, the Department's valuation and reporting methods result in the taxation of the Property at a greater percentage of its actual value than is the general property in the Defendant Counties.

63. The Department's failure to equalize the ratio of assessed to actual value for the Property with the ratio of assessed to actual value for general property in the Defendant

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Counties violates the equalization provision of RCW § 84.12.350.

FIFTH CLAIM FOR RELIEF
(Discrimination Against Interstate Commerce)

64. Plaintiffs reallege and incorporate by reference the allegations set forth in paragraphs 1 through 63 above, as if fully set forth herein.

65. As set forth in Plaintiffs' Third Claim for Relief, the assessment and allocation practices of the Defendants effectively tax to Plaintiffs values associated with property owned by other taxpayers that has no substantial nexus with the State of Washington. Defendants' practices, therefore, violate the Commerce and the Due Process Clauses of the United States Constitution. U.S. Const. art. I, § 8(3) and U.S. Const. amend XIV, § 1.

66. In addition, the Department's methodologies discriminate against interstate commerce by failing to recognize that there are no artificial restrictions on the ability of non-regulated companies to earn profits on all of their Washington assets.

67. In contrast, Plaintiffs are extensively regulated by the Regulatory Authorities and are only authorized to earn profits on the regulated rate base values of their Washington assets. Moreover, the amount of income Plaintiffs earn is subject to further regulatory constraints setting a maximum authorized rate of return on their respective rate bases. To the extent Plaintiffs earn amounts in excess of their respective maximum authorized rates of return, they may and have been required to lower their rates or to refund such excess amounts to their customers.

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68. The Defendants' assessment practices fail to consider the economic effects of regulation by the Regulatory Authorities on the value of the Property and thus impose a higher effective rate of tax on the earning potential of the Property and the property of other regulated companies than they do on the comparable property of intrastate and nonregulated companies. Taxation of the property of regulated companies at a higher effective rate than the property of non-regulated companies disadvantages interstate commerce and violates the Commerce Clause because it imposes a disproportionate and discriminatory tax burden on Plaintiff's customers in states other than Washington. U.S. Const. art. I, § 8(3).

SIXTH CLAIM FOR RELIEF
(Civil Rights Violation)

69. Plaintiffs reallege and incorporate by reference the allegations set forth in paragraphs 1 through 68 above, as if fully set forth herein.

70. The Defendant's excessive and illegal valuation and taxation of the Property violates the Commerce, Due Process and Equal Protection Clauses of the United States Constitution and is a deprivation of Plaintiffs' rights secured by the United States Constitution. U.S. Const. art. I, § 8(3) and U.S. Const. amend XIV, § 1.

71. The deprivation of Plaintiffs' rights secured by the United States Constitution is a violation of the Civil Rights Act, 42 U.S.C. § 1983 (1986).

72. Pursuant to 42 U.S.C. § 1983 (1986), Plaintiffs are entitled to a judgment that the Defendants' actions violate Plaintiffs' constitutional rights.

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73. Pursuant to 42 U.S.C.§ 1988 (1986), Plaintiffs are further entitled to their costs and attorneys' fees associated with this action.

PRAYER FOR RELIEF

WHEREFORE, Northwest Pipeline and USWC/PNB pray for the following relief:

1. For a judgment setting the taxable true cash values of the Property for the assessment dates January 1, 1989, January 1, 1990; and January 1, 1991 in such amounts as may be established at trial, and ordering that any tax collected on values in excess of these amounts must be refunded to Northwest Pipeline and USWC/PNB, as appropriate, with interest at the applicable statutory rates;

2. For a judgment enjoining the Department from using any valuation, assessment or allocation methodologies for assessment years commencing on or after January 1, 1992 that are determined by the Court to be unconstitutional, unlawful or that result in arbitrary and excessive valuations of the Property;

3. For an award of the costs and expenses incurred by Plaintiffs in this action;

4. For an award of the reasonable attorneys' fees incurred by Plaintiffs in this action; and

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5. For such other and further relief as the Court deems appropriate under the circumstances.

DATED this 31 day of January, 1992.

LUKINS & ANNIS, P.S.

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