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FILED FOR RECORD  
SKAMANIA COUNTY  
BY NW Pipeline Corp

ORIGINAL FILED

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SUPERIOR COURT  
SPOKANE COUNTY, WA

Registered  
Indexed, etc.  
Indirect  
Filed 3/9/92  
Mailed

MAR 2 6 43 11 '92  
J. Sevigny

GARY E. OLSON

1 SUPERIOR COURT, STATE OF WASHINGTON, COUNTY OF SPOKANE  
2

3 NORTHWEST PIPELINE  
4 CORPORATION, a Delaware  
5 corporation, and U S WEST  
6 COMMUNICATIONS, INC.,  
(Formerly Pacific Northwest  
7 Bell Telephone Company, Inc.),

NO. 91-2-03000-1

SUMMONS ON AMENDED COMPLAINT

8 Plaintiffs,

9 vs.

10 SPOKANE COUNTY, ADAMS COUNTY,  
11 ASOTIN COUNTY, BENTON COUNTY,  
12 CHELAN COUNTY, COLUMBIA  
13 COUNTY, COWLITZ COUNTY,  
14 DOUGLAS COUNTY, FERRY COUNTY,  
15 FRANKLIN COUNTY, GARFIELD  
16 COUNTY, GRANT COUNTY, GRAYS  
17 HARBOR COUNTY, JEFFERSON  
18 COUNTY, KING COUNTY, KITSAP  
19 COUNTY, KITTITAS COUNTY,  
20 KLICKITAT COUNTY, LEWIS  
21 COUNTY, LINCOLN COUNTY, MASON  
22 COUNTY, OKANOGAN COUNTY,  
23 PACIFIC COUNTY, PEND OREILLE  
24 COUNTY, PIERCE COUNTY, SAN  
25 JUAN COUNTY, SKAGIT COUNTY,  
26 SKAMANIA COUNTY, SNOHOMISH  
27 COUNTY, STEVENS COUNTY,  
28 THURSTON COUNTY, WAHKIAKUM  
29 COUNTY, WALLA WALLA COUNTY,  
30 WHATCOM COUNTY, WHITMAN  
31 COUNTY, YAKIMA COUNTY,  
WATSBURG CITY and THE  
WASHINGTON STATE DEPARTMENT OF  
REVENUE,

Defendants.

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.

SUMMONS ON AMENDED COMPLAINT: 1  
12031SCAELA-K013192

LAW OFFICES  
LUKINS & ANNIS  
A PROFESSIONAL SERVICE CORPORATION  
SUITE 5000  
WASHINGTON TRUST FINANCIAL CENTER  
SPOKANE, WASHINGTON 99204-2946  
(509) 345-5115

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

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

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

15       DATED this 31 day of January, 1992.

16       LUKINS & ANNIS, P.S.

17       By Linda G. Tompkins for  
18       EUGENE I. ANNIS, WSB #02112  
19       Attorneys for Plaintiffs

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SUMMONS: 2

LAW OFFICES  
LUKINS & ANNIS  
A PROFESSIONAL SERVICE CORPORATION  
SUITE 1000  
WABERSON TRUST FINANCIAL CENTER  
SPOKANE, WASHINGTON 99204  
(509) 345-1922

RECORDED  
JAN 31 1992  
P. L. LUKINS, JR.

1 SUPERIOR COURT, STATE OF WASHINGTON, COUNTY OF SPOKANE  
2

3 NORTHWEST PIPELINE CORPORATION, )  
4 a Delaware Corporation, and )  
5 U S WEST COMMUNICATIONS, INC., )  
6 (Formerly Pacific Northwest Bell )  
Telephone Company, Inc.), )

7 Plaintiffs, )

8 vs. )

9 )  
10 SPOKANE COUNTY, ADAMS COUNTY, )  
11 ASOTIN COUNTY, BENTON COUNTY, )  
12 CHELAN COUNTY, CLALLAM COUNTY, )  
13 CLARK COUNTY, COLUMBIA COUNTY, )  
14 COWLITZ COUNTY, DOUGLAS COUNTY, )  
15 FERRY COUNTY, FRANKLIN COUNTY, )  
16 GARFIELD COUNTY, GRANT COUNTY, )  
17 GRAYS HARBOR COUNTY, JEFFERSON )  
18 COUNTY, KING COUNTY, KITSAP )  
19 COUNTY, KITTITAS COUNTY, )  
20 KLICKITAT COUNTY, LEWIS COUNTY, )  
21 LINCOLN COUNTY, MASON COUNTY, )  
22 OKANOGAN COUNTY, PACIFIC COUNTY, )  
23 PEND OREILLE COUNTY, PIERCE )  
24 COUNTY, SAN JUAN COUNTY, SKAGIT )  
25 COUNTY, SKAMANIA COUNTY, )  
26 SNOHOMISH COUNTY, STEVENS COUNTY, )  
27 THURSTON COUNTY, WAHKIAKUM )  
28 COUNTY, WALLA WALLA COUNTY, )  
29 WHATCOM COUNTY, WHITMAN COUNTY, )  
30 YAKIMA COUNTY, WAITSBURG CITY AND )  
31 THE WASHINGTON STATE DEPARTMENT )  
OF REVENUE, )

Defendants. )

CASE NO. 91203000-1

JUDGE MICHAEL E. DONCHUE

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

LAW OFFICES  
LUKINS & ANNIS  
A PROFESSIONAL SERVICE CORPORATION  
SUITE 1000  
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SPOKANE, WASHINGTON 99204  
(509) 345-6515

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

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

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

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

20  
21 JURISDICTION AND VENUE

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

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

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

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

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

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

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

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

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

31

AMENDED COMPLAINT FOR REFUND OF  
PROPERTY TAXES PAID UNDER PROTEST: Page 3

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

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

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

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

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

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

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AMENDED COMPLAINT FOR REFUND OF  
PROPERTY TAXES PAID UNDER PROTEST: Page 4

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1       16. Pursuant to RCW 84.12.350, the Department  
2       purported to equalize Northwest Pipeline's apportioned values  
3       based upon the Department's calculated ratios of assessed to  
4       actual values for general property in each of the Northwest  
5       Pipeline Defendant Counties. The Northwest Pipeline Defendant  
6       Counties then levied and collected property taxes from  
7       Northwest Pipeline based upon Northwest Pipeline's January 1,  
8       1989 and January 1, 1990 equalized, apportioned values. The  
9       property taxes based upon Northwest Pipeline's January 1, 1991  
10      equalized, apportioned values are not payable by Northwest  
11      Pipeline prior to April 30, 1992.

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

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

29      19. Pursuant to RCW § 84.68.020, on or about October  
30      22, 1990, Northwest Pipeline paid the second installment of  
31

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1 its 1990 property taxes, based upon the Department's January  
2 1, 1989 valuation, under protest to each of the Northwest  
3 Pipeline Defendant Counties. Pursuant to RCW § 84.68.020, on  
4 or about April 29, 1991, and October 29, 1991, Northwest  
5 Pipeline also paid the first and second installments,  
6 respectively, of its 1991 property taxes, based upon the  
7 Department's January 1, 1990 valuation, under protest to each  
8 of the Northwest Pipeline Defendant Counties. Prior to  
9 commencement of the trial of this matter, currently scheduled  
10 for August 31, 1992, Northwest Pipeline further intends to pay  
11 its 1992 property taxes, based upon the Department's January  
12 1, 1991 valuation, under protest to each of the Northwest  
13 Pipeline Defendant Counties pursuant to RCW § 84.68.020.

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

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

FIRST CLAIM FOR RELIEF  
(Unlawful and Excessive Taxation)

31. Plaintiffs reallege and incorporate by reference

AMENDED COMPLAINT FOR REFUND OF  
PROPERTY TAXES PAID UNDER PROTEST: Page 6

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

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

7 25. For assessment years 1989, 1990 and 1991, the  
8 Department determined the "true cash value" as of January 1 of  
9 each year of all of Northwest Pipeline's operating property,  
10 wherever located, as a single unit. Pursuant to RCW §  
11 84.12.300, the Department then allocated a portion of  
12 Northwest Pipeline's unit value to the State of Washington  
13 pursuant to RCW § 84.12.300.

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

21 27. To determine the unit value of Northwest  
22 Pipeline's operating property as of January 1, 1989, the  
23 Department calculated and correlated two separate approaches  
24 to value: historical cost loss depreciation ("HCLD") and  
25 direct capitalization. The Department used these approaches  
26 as its cost and income approaches to value, respectively. To  
27 determine the unit values of Northwest Pipeline's operating  
28 property as of January 1, 1990, and January 1, 1991, the  
29 Department calculated and correlated three separate approaches  
30 of value: HCLD, direct capitalization, and stock and debt.  
31

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

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

10 29. The Department's correlated unit values for  
11 Northwest Pipeline's operating property were: \$800,000,000 as  
12 of January 1, 1989; \$825,000,000 as of January 1, 1990; and  
13 \$725,000,000 as of January 1, 1991.

14 30. The Department's correlated unit values for  
15 USWC/PNB's three-state operating property were: \$3,700,000,000  
16 as of January 1, 1990; and \$3,700,000,000 as of January 1,  
17 1991.

18 31. After determining the correlated unit value of  
19 Northwest Pipeline's operating property, the Department made  
20 an adjustment to remove the estimated value of Northwest  
21 Pipeline's non-depreciable, stored gas inventory from the unit  
22 value. Northwest Pipeline's adjusted system values were:  
23 \$691,380,100 as of January 1, 1989; \$736,828,933 as of January  
24 1, 1990; and \$652,435,710 as of January 1, 1991.

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

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

6 33. After determining the correlated unit values of  
7 USWC/PNB's three-state operating property, the Department  
8 allocated a portion of these unit values to the State of  
9 Washington. The allocation methodology utilized by the  
10 Department for USWC/PNB's three-state operating property was  
11 different from the allocation methodology utilized by the  
12 Department for Northwest Pipeline's operating property and is  
13 not challenged by USWC/PNB. The amounts allocated by the  
14 Department to the State of Washington for USWC/PNB's three-  
15 state operating property were: \$2,356,900,000 as of January  
16 1, 1990; and \$2,393,530,000 as of January 1, 1991.

17 34. The Department made several valuation  
18 adjustments to USWC/PNB's Washington allocated values to  
19 remove values attributable to USWC/PNB's non-operating and  
20 non-taxable property. After making these adjustments, the  
21 Department determined the true cash value of USWC/PNB's  
22 taxable, operating property in Washington to be:  
23 \$2,170,000,000 as of January 1, 1990; and \$2,210,000,000 as of  
24 January 1, 1991. These values were then apportioned and  
25 equalized by the Department among the Defendant Counties and  
26 Waitsburg City.

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

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

3       36. The aggregate amount of the property taxes  
4       levied and collected on USWC/PNB's Property by the Defendant  
5       Counties and Waitsburg City, based upon their respective,  
6       equalized, apportioned shares of the Department's January 1,  
7       1990 valuation was \$27,141,264.

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

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

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

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

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

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

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

21                  44. The estimated rate base of Northwest Pipeline's  
22 operating property was: \$628,928,890 as of December 31, 1988;  
23 \$586,442,743 as of December 31, 1989; and \$473,408,082 as of  
24 December 31, 1990.

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

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

31

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

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

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

22                  D. The Department was also inconsistent in its  
23                  selection of capitalization rates/financial  
24                  performance ratios during the relevant assessment  
25                  years. The capitalization rate/financial performance  
26                  ratios utilized by the Department in its direct  
27                  capitalization approach for Northwest Pipeline as of  
28                  January 1, 1989, and for Northwest Pipeline and  
29                  USWC/PNB as of January 1, 1990, were based upon  
30                  ratios derived from the reported earnings of other  
31

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

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

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

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

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

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

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

6 I. The methods used by the Department to  
7 allocate a portion of Northwest Pipeline's estimated  
8 system value to the State of Washington and to adjust  
9 for the estimated value of Northwest Pipeline's non-  
10 taxable property as of January 1 of each of 1989,  
11 1990, and 1991 were incorrect. Moreover, the method  
12 used by the Department in each of these years was  
13 inconsistent with the method used by the Department  
14 in each of the other years. Although still  
15 incorrect, the method used by the Department for its  
16 January 1, 1991 valuation most closely approximates  
17 the proper method for determining the true cash value  
18 of Northwest Pipeline's taxable, Washington operating  
19 property.

20 J. Each of the six other western states in  
21 which Northwest Pipeline's property is located uses  
22 the same method for allocating a portion of the  
23 estimated unit value of Northwest Pipeline's property  
24 to their respective state. The method used by the  
25 Department to allocate a portion of the unit value of  
26 Northwest Pipeline's Property to the State of  
27 Washington is inconsistent with the allocation method  
28 used for Northwest Pipeline by each of these six  
29 other western states. Because Washington's  
30 allocation method for Northwest Pipeline is  
31 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)

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

15  
16 48. As a result of the errors in its valuation and  
17 allocation methodologies, the Department significantly over-  
18 valued the Property. This significant over-valuation is  
19 grossly excessive and taxes property having no substantial  
20 nexus with the State of Washington. Accordingly, these  
21 methodologies violate the Due Process Clauses of the United  
22 States and Washington Constitutions. U.S. Const. amend. XIV,  
23 § 1 and Wash. Const. art. I, § 3.

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

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

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

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

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

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

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

1 of the Property that are grossly excessive. These arbitrary  
2 and grossly excessive valuations resulted in the imposition of  
3 excessive taxes and confiscated Northwest Pipeline's and  
4 USWC/PNB's property without due process of the law in  
5 violation the Due Process Clauses of the United States and  
6 Washington Constitutions. U.S. Const. amend. XIV, § 1, and  
7 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.

23  
24       58. Plaintiffs are further informed that the  
25 reporting systems used by the Defendants to identify property  
26 owned by some taxpayers fail to identify some tangible and  
27 intangible property similar to that assessed to Plaintiffs.  
28 As a result, this unreported tangible and intangible property  
29 of other taxpayers is not assessed to such other taxpayers by  
30 the Defendants, while similar property is assessed to  
31 Plaintiffs by the Defendants.

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

14                   FOURTH CLAIM FOR RELIEF  
15                   (Violation of Equalization Requirements)

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

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

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

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

1 Counties violates the equalization provision of RCW  
2 § 84.12.350.

3  
4 **FIFTH CLAIM FOR RELIEF**  
5 (Discrimination Against Interstate Commerce)

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

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

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

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

AMENDED COMPLAINT FOR REFUND OF  
PROPERTY TAXES PAID UNDER PROTEST: Page 21

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

SIXTH CLAIM FOR RELIEF  
(Civil Rights Violation)

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

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

25  
26 71. The deprivation of Plaintiffs' rights secured by  
27 the United States Constitution is a violation of the Civil  
28 Rights Act, 42 U.S.C. § 1983 (1986).

28  
29 72. Pursuant to 42 U.S.C. § 1983 (1986), Plaintiffs  
30 are entitled to a judgment that the Defendants' actions  
31 violate Plaintiffs' constitutional rights.

AMENDED COMPLAINT FOR REFUND OF  
PROPERTY TAXES PAID UNDER PROTEST: Page 22

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

4                   PRAYER FOR RELIEF  
5  
6

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

9                   1. For a judgment setting the taxable true cash  
10 values of the Property for the assessment dates January 1,  
11 1989, January 1, 1990; and January 1, 1991 in such amounts as  
12 may be established at trial, and ordering that any tax  
13 collected on values in excess of these amounts must be refunded  
14 to Northwest Pipeline and USWC/PNB, as appropriate, with  
15 interest at the applicable statutory rates;

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

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

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

26                   ///

27                   ///

28                   ///

29                   ///

30                   ///

31                   ///

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.

By:

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AMENDED COMPLAINT FOR REFUND OF  
PROPERTY TAXES PAID UNDER PROTEST: Page 24

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