

Agenda Date: April 23, 2003

Item Number: A2

Docket: UT-030459

Company: Qwest Corporation

Staff: Jing Roth, Senior Telecommunications Analyst
Erin Hannan, Regulatory Analyst
Kathy Folsom, Senior Regulatory Analyst

Recommendation

Grant the request by Qwest Corporation in Docket UT-030459 for a temporary exemption of WAC 480-120-031(4), WAC 480-120-031(9), and WAC 480-146-360 as modified.

Background

On April 3, 2003, Qwest Corporation (Qwest) filed with the Commission a petition for an extension of time to file its 2002 annual report, its fourth quarter 2002 and first quarter 2003 operations statements, and its 2002 annual report of affiliated interest transactions as required by WAC 480-120-031(4), WAC 480-120-031(9), and WAC 480-146-360, respectively.

WAC 480-120-031(4) requires Qwest to file an annual report by May 1 of each year. WAC 480-120-031(9) states that the quarterly statement of operations should be filed 90 days from the end of each period, except the fourth quarter which is due no later than May 1. Finally, in accordance with WAC 480-146-360, Qwest must report all affiliated interest transactions for the previous year no later than June 1.

The Company claims that it is unable to file the majority of its annual report to meet the filing deadlines because of issues associated with the restatement of its financial reports. Qwest seeks an extension of time to file certain reports as follows:

Report	Due Date	Requested Date
2002 Annual Report	May 1	August 1, 2003
First Quarter 2003 Operations Statement	July 1	August 1, 2003
Fourth Quarter 2002 Operations Statement	May 1	August 1, 2003
2002 Affiliated Interest Transactions Report	June 1	September 1, 2003

On April 18, 2003, Qwest filed a letter to revise the original petition. The letter clarifies that Qwest will be able to file certain portions of its reports within the established filing deadline. Qwest will now file its 2002 affiliated interest transactions report to comply with WAC 480-146-360 subsections (2), (3)(c), (3)(d), (3)(e), and 3(f) , and the ARMIS 43-08 section of its 2002 annual report.

The Company is also statutorily required to pay its annual regulatory fee on May 1. Qwest is not requesting exemption from the payment deadline as it believes it will have substantially accurate intrastate revenue information to calculate and pay the fee by May 1, 2003. Qwest also states that if there is a discrepancy in the revenue calculation shown in its late-filed reports, Qwest will seek to true-up the regulatory fee.

Discussion

As a result of the restatement of the financial results for 2001 and 2000 by Qwest's parent company, Qwest Communications International, Inc., and the subsequent audits by an external auditor, Qwest's 1999 annual report is the most current, audited report on file with the Commission.

Staff has concerns with Qwest's request for the extension of time to file its annual reports because the financial information contained within the reports represents a snap-shot in time of the financial health of the Company's operations. Staff often refers to annual reports in its analysis of various filings, issues related to contested cases, and as part of the on-going review of company operations. In terms of financial information, annual reports are the starting point for validation of revenue requirement filings, cost expenditures, credit reports, trends in revenues and expenses, multiple or unusual fluctuations in accounts that could indicate necessary adjustments, and changes in business practices.

It is also important to point out that there is certain non-financial information contained within both the annual report and the affiliated interest transactions report. Such information is not directly tied to financial statements and it would be useful in advance of receiving the delayed 2002 annual report as Staff also utilizes this information in reviewing company operations or as a reference for other filings before the Commission. After discussions with Staff, Qwest amended its petition, in a letter filed on April 18, 2003, to no longer request an extension of Commission rule requirements for certain subsets of its reports that do not have direct ties to the financial information being restated.

Conclusion

Although timely filed reports play an important role in our daily work at the Commission, Staff believes granting the request is a better alternative than receiving inaccurate information on the date required by Commission rule. The usefulness of the annual report decreases with each delay in filing. Thus, Staff wants Qwest to be diligent in meeting the requested filing extensions. Therefore, Staff recommends that the Commission grant the temporary exemption of WAC 480-120-031(4), WAC 480-120-031(9), and WAC 480-146-360 as modified in Qwest's letter of April 18, 2003.