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June 4, 2004

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**VIA U.S. MAIL**

Ms. Carole Washburn, Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
1300 South Evergreen Park Dr. S.W.  
Olympia, WA 98504-7250

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STATE UTILITIES AND TRANSPORTATION COMMISSION

**Re: In the Matter of the Petition of Verizon Northwest Inc. for an Order Approving Commencement of Bifurcated General Rate Case and Waiver of WAC 480-07-510(2) Docket No. UT-040788**

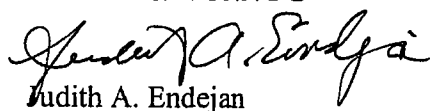
Dear Ms. Washburn:

Enclosed please find the original and 15 copies of the Second Errata to Amended Petition of Verizon Northwest Inc For an Order Approving Commencement of Bifurcated General Rate Case And Waiver of WAC 480-07-510(2). Please substitute the enclosed for the Amended Petition of Verizon Northwest Inc. for an Order Approving Commencement of Bifurcated General Rate Case and Waiver of WAC 480-07-510(2) (Errata) that was filed on May 12, 2004. The second errata shows, on the enclosed red-lined version, Verizon's request for an additional waiver of the requirement of WAC 480-07-510(4)(c). This rule was excluded inadvertently from Verizon's previous requests for waiver of several specific provisions of WAC 480-07-510.

Please stamp the enclosed copy to reflect filing and return it in the stamped self-addressed envelope provided for your convenience. If you should have any questions, please contact me. Thank you.

Sincerely,

GRAHAM & DUNN PC

  
Judith A. Endejan

Enclosure  
cc: All Parties

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 STATE OF WASH.  
 UTIL. AND TRANSP.  
 COMMISSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of Verizon Northwest Inc. for an Order Approving Commencement of Bifurcated General Rate Case and Waiver of WAC 480-07-51-(2),	) Docket No. UT-040788 ) ) AMENDED PETITION OF VERIZON ) NORTHWEST INC FOR AN ORDER ) APPROVING COMMENCEMENT OF ) BIFURCATED GENERAL RATE CASE ) AND WAIVER OF WAC 480-07-510(2) ) ) (SECOND ERRATA)
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I. INTRODUCTION

1. On April 30, 2004, Verizon Northwest Inc. ("Verizon NW") filed its above-entitled Petition requesting a general increase of \$239.5 million per year in its revenue requirement to be recovered by increased rates to be proposed in the second phase of this proceeding. Verizon NW hereby amends that initial Petition in two minor respects. First, the Company requests an additional waiver of ~~two~~ **three four** specific subsections of WAC 480-07-510 that relate to Verizon's initial waiver request for WAC 480-07-510(2). Second, the Company wishes to delete the last date from its proposed schedule for Phase 1. These modifications do not affect substantially the relief requested in the Petition filed on April 30, 2004. As part of this Petition, Verizon has requested immediate interim relief of \$29.7 million. Verizon NW's request for interim relief is described in Verizon NW's "Petition for Interim Rate Relief", and is supported by the interim rate relief testimony of Verizon NW witnesses Steven M. Banta, Nancy W. Heuring, and James H. Vander Weide. Verizon NW's request for

permanent rate relief is supported by separate testimony filed by Steven M. Banta, Nancy W. Heuring, Deborah Anders, James H. Vander Weide, Dennis B. Trimble, and Michael J. Doane.

2. Verizon NW's permanent rate relief filing does not include a proposed final rate design. Verizon NW requests that the Commission bifurcate this filing so that a final rate design is submitted only after the Commission establishes Verizon NW's permanent revenue requirement. In other words, in Phase I of the case, the Commission will first rule on Verizon NW's request for interim relief and then will establish a permanent revenue requirement; in Phase II of the case, Verizon NW will propose, and the Commission will establish, a specific rate design that reflects the new revenue requirement.

3. Because the Commission's rules do not expressly contemplate a bifurcated rate case filing,<sup>1</sup> Verizon NW seeks a formal waiver of the rules under WAC 480-07-110, 480-07-370 and 480-07-395, particularly WAC 480-07-510(2) that requires the filing of tariff sheets.

4. In its initial Petition Verizon NW asked for a waiver of WAC 480-07-510(2) to relieve Verizon NW of the tariff sheet filing requirement. Verizon NW hereby amends this initial waiver request to also include a waiver of the specific requirements of WAC 480-07-510(4)(c)(d) and (e), and 480-07-510(3)(c) and any other requirements associated with the tariff filing requirements of WAC 480-07-510(2).

5. In its April 30, 2004 filing Verizon NW only presented information that would comply with WAC 480-07-510(4)(d) and (e) for its request for interim relief. The Company has not filed final proposed rates for the general rate case because it has asked the Commission to first establish its revenue requirement and to conduct a bifurcated general rate case. Therefore it cannot technically comply with WAC 480-07-510(4)(c)(d) and (e) at this time and requests the Commission to waive these regulatory requirements in addition to WAC 480-07-510(2).

6. Verizon also amends its initial Petition by deleting the last date on its schedule for Phase I.

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<sup>1</sup> *E.g.*, WAC 480-07-510(2).

## II. IDENTITY OF THE PETITIONER

7. The Petitioner is Verizon NW, and its' address is 1800 41st Street, Everett, Washington 98201. Please direct all correspondence to:

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Email: richard.potter@verizon.com

## III. REQUEST FOR BIFURCATION

8. Verizon NW requests an order that establishes a two-phase general rate case under which Verizon NW would not be required to file proposed final rates until the Commission establishes a permanent revenue requirement. The Commission has the power to issue such an order waiving its rules under RCW 80.01.040.

9. Verizon NW's proposed bifurcated approach is reasonable, practical, fair to all parties, and is in the public interest. Specifically, this approach allows all parties to focus on the revenue requirement without having to propose (and litigate) competing rate designs. The revenue requirement is, of course, the essential starting point for the rate design. Based on last year's AT&T Access Charge Complaint, Docket No. UT-020406, Verizon NW expects Staff and other parties to propose significantly different revenue requirements, and it is more efficient to decide the revenue requirement issue first and only then proceed to develop a rate design.

10. No party is prejudiced by this approach because each party will have the opportunity to address all issues in this case in a more focused, efficient manner. Furthermore, since Verizon NW is not filing at this time a proposed tariff that contains permanent rates, the statutory 10-month clock for general rate cases (RCW 80.04.130(1)) will not begin to run. Verizon NW has proposed a 15-month schedule that gives all parties more than sufficient time to address all the issues, thus ensuring no party is prejudiced by a bifurcated approach.<sup>2</sup> Verizon NW's proposed schedule is attached.

11. For all these reasons, Verizon NW requests that the Commission waive its rate case rules (to the extent they require a waiver) and establish a two-phase proceeding and to grant a waiver of WAC 480-07-510(2), (4)(c)(d) and (4)(e) and 480-07-510(3)(c).

Respectfully submitted this 4<sup>th</sup> day of May 2004.

GRAHAM & DUNN PC

By Judith A. Endejan  
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WSBA# 11016  
Email: jendejan@grahamdunn.com  
Attorneys for Verizon Northwest Inc.

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<sup>2</sup> Verizon NW reserves its right to file tariffs that trigger the statutory clock if its proposed schedule is not adopted or if this case is otherwise delayed.

**VERIZON NORTHWEST INC. WASHINGTON OPERATIONS  
2004 WASHINGTON GENERAL RATE CASE  
PROPOSED RATE CASE SCHEDULE**

**Phase 1 - Interim Relief (4 months) Rev Req (10 months) - 2004/2005**

Apr 30 - VZ files direct case and tariff sheets for interim relief request

May 12 - Commission Open Meeting - Docket opened; tariff suspended; discovery begins on interim case

May 19 - Prehearing Conference; formal discovery begins

**Jul 2 - Other parties file testimony (interim case)**

**Jul 23 - VZ files reply testimony (interim case)**

**Jul 30 - Prehearing memoranda (interim case)**

**Aug 4-6 - Hearings (interim case)**

**TBD - Public hearing (interim case)**

**Aug 20 - Briefs (interim case)**

**Sep 3 - Final order (interim case)**

Oct 22 - Other parties file testimony

Nov 24 - VZ files reply testimony

Jan 3-7 - Hearings

TBD - Public Hearing

Feb 4 - Initial Briefs

Feb 11 - Reply Briefs

Mar 11 - Final order

**Phase 2 - Permanent Rate Design (5 months) - 2005**

Apr 8 - VZ files rate design case

May 13 - Other parties file testimony

Jun 3 - VZ files reply testimony

Jun 27-Jul 3 - Hearings

TBD - Public hearing

Jul 29 - Initial Briefs

Aug 5 - Reply Briefs

Sep 2 - Final order

Sep 23 - VZ files compliance tariffs