

January 16, 2004

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and
Transportation Commission
1300 S. Evergreen Park Drive S. W.
Olympia, Washington 98504

Subject: **VERIZON NORTHWEST INC. COMMENTS – A-021178**

Dear Ms. Washburn:

Per the Notice issued on December 3, 2003, Verizon Northwest Inc. (Verizon) submits its comments on the draft rules.

Verizon has previously filed comments in this docket on March 13, 2003 and May 15, 2003. The company continues to be concerned that the proposed rule language will result in significantly increased regulatory burdens for Verizon. If the Commission has issues with particular companies, it should address them with those specific companies. It should not adopt general rules that impose new burdensome requirements on the entire industry. Following are specific comments on the current draft rule by section.

480-120-X03 – Issuing securities

On April 24, 2002, the Commission issued an Interpretive Statement regarding filing requirements prior to the issuance of securities. The Commission clarified that a securities issuance filing is not required under WAC 480-120-290 if a company issues debt with a shelf registration filing with the Securities and Exchange Commission. As a point of clarification, Verizon assumes that since proposed rule 480-120-X03 replaces 480-120-290, the Commission's Interpretive Statement will apply to 480-120-X03. The new rule should be amended to reflect this interpretation.

480-120-X04 – Transferring cash or assuming obligation

Verizon again urges the Commission to exclude dividend payments from this rule. To date, no party has explained why the reporting of dividends is necessary. Furthermore, the proposed 5 day advance notice requirement is unrealistic. Since actual dividend payment amounts are typically not finalized until the day prior to the payment, Verizon would not be able to comply with a 5 day advance notice

requirement. The Commission should include dividend payments in its exception list in Subsection 2. Alternatively, the rule should be amended as follows:

WAC 480-120-X04 Transferring cash or assuming obligation.

- (1) ~~At least five business days before~~ As soon as is practicable, but in no case later than thirty days after a Class A company, or any subsidiary of such a company, transfers cash to any of its affiliates or subsidiaries or assumes an obligation or liability of any of its affiliates or any of its subsidiaries, the company must report the amount and the terms of the transaction to the commission if:

480-120-X08 Affiliated interest and subsidiary transactions report

This rule should not be adopted; alternatively, it should be clarified to exempt a wholly owned subsidiary that is a local exchange telecommunication company. As has been previously explained to the Commission, Verizon Northwest has one wholly owned subsidiary: Verizon West Coast Inc., which is a local exchange company in northern California. Verizon West Coast Inc. is integrated into the operation of Verizon Northwest Inc. in the same fashion as Verizon Northwest's Oregon and Idaho operations are integrated. Just as the Commission has no requirement and no need for reports of transactions between Verizon's Oregon, Idaho and Washington operations, it has no need to review the transactions with its northern California operations. If adopted as currently drafted 480-120-X08 would result in an additional unnecessary regulatory burden.

Additionally, X08(2)(e) appears to require a separate detailed report of all cash transfers routinely occurring during business as usual operations. Verizon requests that the proposed rule be clarified. What is the Commission interested in reviewing? Does the Commission mean to investigate debt transfers to the telephone company for the benefit of a subsidiary or affiliate? As required currently Verizon already provides service payment information from Verizon to affiliates and from affiliates to Verizon. If the Commission has reason to investigate the cash transfers of a particular company in greater depth, it should do so with that company and not impose rules that may have unintended burdensome results for all companies.

Please call me if you have any questions.

Very truly yours,

Joan Gage
State Manager – Regulatory Affairs
C: mydocuments/Alcomments.doc