

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

Rulemaking Concerning Telecommunications)	DOCKET NO. UT-073014
Service (Line) Extensions)	
(WAC 480-120 and 480-123))	
)	
Comment Opportunity (CR 101))	

INITIAL COMMENTS OF VERIZON NORTHWEST INC.

September 14, 2007

INTRODUCTION

Verizon Northwest Inc. (“Verizon”) submits these comments in response to the Notice of Opportunity to File Written Comments issued by the Washington Utilities and Transportation Commission (“WUTC” or “Commission”) on August 14, 2007 (“Notice”). Specifically, as set forth below, Verizon comments on questions 1, 4 and 7 posed by the Commission in the Notice.

Question 1 is geared to telecommunications companies, and question 4 is addressed to carriers certified in Washington as “Eligible Telecommunications Carriers” (or “ETCs”) for federal universal service purposes. Verizon is both. It provides basic wireline local telephone service, intrastate toll services, various optional features, dedicated services from simple alarm circuits to very high capacity high speed data transport, and numerous other products and services. As to its ETC status in Washington, Verizon receives only the Interstate Access Support (“IAS”) and Lifeline / Link-Up funding. It does not receive support from any of the following federal funds in Washington: High Cost Model, High Cost Loop, Safety Net Additive, Safety Valve,

Local Switching, and Interstate Common Line Federal Universal Service High Cost Fund.¹

The limited federal universal service funding that Verizon receives in Washington (IAS and Lifeline / Link-Up) are not project specific. These funds are not required to be used for service extension construction or any other specific construction or maintenance activity. However, without federal support of this type and other cost recovery mechanisms (including the ability in certain instances to recover direct costs from customers who cause such costs to be incurred), Verizon may be forced to seek Commission approval to increase rates to other customers in order to recover additional costs associated with service extensions. Therefore, the public interest requires that there be an appropriate balancing of interests in policies related to service extensions. That is why this rulemaking is of critical importance.

Under the current service extension rule, Verizon must extend service to any potential customer within its service territory unless it can demonstrate that a particular service extension should not be constructed under the waiver provisions found at WAC 480-120-071(7). Telecommunications companies may seek a waiver of this requirement if the customer is not reasonably entitled to service or the direct cost to extend service is unreasonable.² The rules governing such waivers provide factors the Commission will consider in determining whether to grant a waiver to allow the company to recover direct costs from the applicant. However, the rule does not specify a threshold standard for determining which customers are not reasonably entitled to service, nor does it establish

¹ Other traditional wireline telephone companies in the state may receive support from some or all of these additional sources, as may other ETCs.

² RCW 80.36.090 and WAC 480-120-071(7).

an amount of direct cost to extend service that is *per se* unreasonable. Without more guidance, the current rules necessitate a burdensome case-by-case analysis for carriers and the Commission. This unnecessary burden can be removed with the establishment of a threshold standard on service extensions that are unreasonable.

COMMENTS AND RESPONSES TO RELEVANT QUESTIONS

Given its dual status as a telecommunications carrier and an ETC, Verizon provides a combined answer to questions 1 and 4 posed in the Notice, and answers question 7 as well.

Question 1: For telecommunications companies required to extend service under the current rule, please comment on specific benefits and burdens that have resulted from the rule and whether any of the burdens have caused harm to the company; if there has been harm, please quantify the harm.

Question 4: For ETCs, please comment on whether the current rule has benefits or burdens on the company and if the rule has been beneficial or burdensome to customer service, company operations, or in any other respect.

WAC 480-120-071, as currently drafted, is a cumbersome rule that at bottom provides only two general methods to address the problem of potentially costly service extensions: a means to recover direct service extension costs and a waiver process to seek avoidance of such costs in given cases. Yet both methods require a lengthy, application-specific process that is burdensome on companies and the Commission.

1. Lack of a Threshold Standard.

That burden results largely from the absence of a threshold standard clearly defining which customers are not reasonably entitled to service or an amount of direct cost to extend service that is *per se* unreasonable. Accordingly, a telecommunications company must ask the Commission to determine, on a case-by-case basis, which customers are not reasonably entitled to service or the amount of direct cost to extend

service that the Commission considers to be unreasonable. The result is that companies such as Verizon must incur significant costs and resources (including expenditures of employee time) to present numerous cases to the Commission to analyze the general standard as to whether service extensions should proceed or whether waivers from the rule should be granted. Moreover, potential customers are understandably confused regarding the circumstances under which they might obtain telephone service for a residence, vacation home, or other residential premises in a remote location where telephone service is not already available. A threshold standard would limit the inefficiencies and confusion, and allow telecommunications companies, customers and the Commission to handle service extensions in a predictable fashion.

2. Burdensome Requirement to Evaluate Alternative Services.

The rule is also burdensome because the waiver rules have been interpreted to require telecommunications companies to investigate and provide information on the comparative price and capabilities of alternative communications service. That has been required even if a particular company does not generally deploy or support alternative communications services.³ Verizon provides traditional local telephone service using well-established wireline technologies for which it has developed significant expertise and scale economies. It does not provide local service using alternative technologies including, but not limited to, satellite telephone service, cellular service, or radio communications telephone service. Accordingly, requiring Verizon to investigate the potential use of alternative services makes no sense. Moreover, it is overly burdensome, as it requires on-site visits by Verizon technicians to determine the economic and

³ WAC 480-120-071(7)(b)(ii)(C).

technical feasibility of alternative communications services regarding which the technicians may have limited knowledge and training.

3. Insufficient Timelines.

When the service extension rule is read with the application of service timelines set forth in WAC 480-120-103, a telecommunications company may lack the time necessary to make a complete and thorough investigation of the factors specified in the waiver subsections of the service extension rule (including estimated direct cost, technological or physical barriers, and feasibility of alternative technologies).⁴ For example, if a site is covered in deep snow it may be impractical to accurately determine technological difficulties and physical barriers and/or whether rock sawing may be required to provide necessary facilities. Rock sawing increases Verizon's direct costs many times over what is incurred in routine installation of new facilities. Without such information, the direct cost study and determination of physical barriers may be inaccurate, particularly if rock sawing is required but not known at the time a cost estimate is prepared. In addition, if a technician cannot physically reach the site of an applicant's premises because of weather conditions (e.g., snow coverage), it may be impractical to assess the feasibility of alternative technologies, even if one had the necessary expertise.⁵ Therefore, an investigation conducted during the ten-week window

⁴ WAC 480-120-103(4) states in pertinent part: When a service extension is required, the company must inform the customer within six weeks of a request for service that it will construct the extension . . . , or inform the customer in writing that it will request an exemption from the commission In the event a company informs the customer it will request an exemption, the company must submit the request to the commission within four weeks of informing the customer of its decision.

⁵ For example, in Docket UT-061464, a Verizon engineer and Commission staff member could not drive a four-wheel drive vehicle or use a snowmobile to get to a customer's premise because of snow and muddy conditions that made such an excursion unsafe.

provided under WAC 480-120-103 (particularly in winter months) may be incomplete or provide inaccurate data.

4. Extent of the Burden.

Without conducting a special study, it is not possible to quantify the harm caused by the current rule in terms of dollars spent complying with the rule. However, Verizon has a limited number of engineers and technicians available to conduct the type of investigation required by the waiver regulations. Time spent by such engineers and technicians conducting investigations to determine whether a waiver should be requested and supporting filed petitions for waiver is time not devoted to performing the day-to-day work they ordinarily are required to do to construct and maintain Verizon's network. The harm is exacerbated when these same technicians and engineers must, for example, return to a site to conduct further investigations, respond to data requests, prepare testimony, and appear at a hearing to present facts on whether a potential customer is reasonably entitled to service or whether the amount of direct cost of a requested service extension is unreasonable.

5. Service Extension Charges.

In service extension cases in which a waiver is not obtained, WAC 480-120-071(3) arbitrarily limits the amount a telecommunications company may charge the customer to an amount that is less than \$700, half of which must be spread out over

nearly two years.⁶ If an arbitrary limit is to be placed on the extra costs associated with a line extension that a company may recover, it at least should be fully payable before engineering and construction is begun. Otherwise, telecommunications companies such as Verizon (and their other ratepayers) lose the time of value of money to collect the extra charges on a monthly basis, the companies are forced to create special bills to meet this rule, and they end up facing non-routine collection issues.

Question 7: For all interested persons, please make any specific recommendations for changes, or make statements in favor of retaining the current rule, and include policy goals that support retaining or changing the rule.

As stated above, the lack of a threshold standard in the service extension rule creates the inefficient filing of waiver petitions on a case-by-case basis. To minimize such inefficiencies, the rule should be amended to clearly describe a threshold standard that would allow a telecommunications company to refrain from constructing a service extension that met the standard without having to file for a waiver. Such a standard would appropriately balance the interests of customers seeking service extensions with the interests of other customers and carriers.

A standard should state that a telecommunications company would not be required to build a line extension that: (i) is longer than a certain distance from the closest company facility to the customer's premises or (ii) exceeds a specified cost. If the cost of the service extension exceeds the standard set forth in (ii), the extension would not

⁶ The rule limits an initial order processing charge to 20 times the company's monthly rate for basic residential telephone service, which for Verizon amounts to \$338 (20 x \$16.90). The rule limits further charges to the applicant to the basic monthly rate amount for 20 months. WAC 480-120-071(3)(a). For Verizon, therefore, applicants pay only \$679 for service extensions costing thousands and even tens of thousands of dollars.

need to be constructed even if it were shorter than the prescribed distance standard set forth in (i).

For any service extension that must be built under such a threshold standard, the rules should be revised to permit a telecommunications company to recover all direct costs associated with the service extension from the applicant. The applicant causes the costs, and thus should bear them, rather than be subsidized by other end user customers and/or companies. Such costs should be recovered in full from the applicant at the outset, rather than recovered over some period of time.

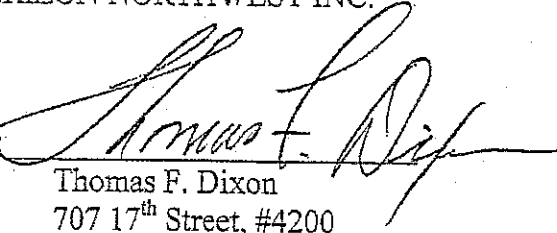
Verizon appreciates the opportunity to comment on this important issue, and will provide more detailed input as this rulemaking progresses.

Dated: September 14, 2007

Respectfully submitted,

VERIZON NORTHWEST INC.

By:



Thomas F. Dixon
707 17th Street, #4200
Denver, Colorado 80202
303-390-6206
303-390-6333
1-888-475-7218, Ext. 3