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Verizon Northwest Inc.

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January 27, 2005

HAND DELIVERED

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and
Transportation Commission
Chandler Plaza Building
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

**Subject: Supplemental Comments - Eligible Telecommunications Company
Rulemaking – WAC 480-120-399(2), Dkt. No. UT-053021**

Dear Ms. Washburn:

The purpose of this letter is to supplement comments filed by Verizon Northwest Inc. ("Verizon") in the above subject docket on November 14, 2005. Verizon briefly addresses points made by other parties in the substantial comments filed in this docket. The Company also provides implementation cost estimates associated with the proposed reporting and advertising requirements.

COMMENTS

The Commission should not impose on Verizon the additional annual reporting requirements outlined in this docket. They would be costly and unnecessary.

The increased regulatory burdens that would be imposed on Verizon by the proposed rules are not needed to meet the federal statutory requirements of annual eligible telecommunications carrier ("ETC") certification, and they are inconsistent with the principles of efficient and effective regulation expressed in Executive Order 97-02 (which remains fully effective).

Unnecessary Advertising and Noticing Costs

The filed comments make clear that the proposed advertising and noticing requirements

would add significant operating costs. Much of these would be duplicate costs, since multiple companies would use the same newspapers or radio stations for their required advertisements.

The proposed advertising requirements are directed to low income customers. Because low-income persons who are eligible for the Washington Telephone Assistance Program (WTAP) are already advised of the available benefits, this additional financial burden should not be imposed on the companies, ratepayers and taxpayers.

In December 2005, the Department of Social and Health Services (DSHS) submitted its annual report on WTAP to the Legislature. DSHS describes its outreach program as follows:

An informational letter and brochure about WTAP is sent to each household newly eligible for the program. Information about the program is printed in all telephone company directories. Multilingual brochures and posters are regularly mailed to DSHS community services offices, community action agencies, housing authorities, tribes, and other community-based organizations. They are also sent upon request to individuals and businesses.

Special mailings are also sent out throughout the year targeting potential WTAP-eligible clients who have not yet taken advantage of the program.¹

This outreach activity targeted to only those persons eligible for low-income telephone assistance is plainly better than the excessive shotgun approach that the draft rules would impose. Some commenters asserted a lack of WTAP awareness on the part of eligible persons, but the way to address any such situation is through improvements to DSHS's targeted efforts, not through a new expensive untargeted regulatory burden.

Note also that the companies might recover their additional advertising costs from WTAP as an administrative expense, thus further draining the fund unnecessarily.

Regulatory Burdens Not Keyed to the Nature of the ETC and Its Operation, or to the Type of Support Received

Several companies commented that, in addition to costly new advertising and noticing burdens, the draft rule would impose several new reporting obligations without reference to the type of support being received by a company or to the nature of its operation in Washington. Verizon strongly concurs in these concerns and urges the Commission to step back, take a look at the statutory purpose of the annual certification, and recognize the real world differences between types of ETCs and the types of support they receive.

Briefly, there are four types of current and potential ETCs:

- (1) established local exchange carriers (LECs) that are not competitively classified by the Commission (e.g., the WITA companies, Qwest, Verizon),
- (2) new LECs that are not competitively classified (e.g., Beaver Creek, WeavTel),

¹ See Washington State Department of Social & Health Services, *Report to the Legislature, Washington Telephone Assistance Program*, at 5 (Dec. 2005).

(3) competitively classified LECs (CLECs),

(4) wireless carriers (e.g., RCC, USCC).

The ultimate objective of the ETC program is that "universal service" -- i.e., reasonably priced basic local telephone service -- be provided to customers. ETCs are required to provide the supported services to persons requesting them within designated areas. The FCC's provision of ETC support to multiple providers within a given geographic area is premised on the policy of providing choices to customers, so that competition among companies will enhance the provision of universal service.

Both established and new LEC ETCs are subject to full regulation by the Commission, which ensures that reasonably priced basic local telephone service is provided to customers within the companies' service areas. This is accomplished by many means, including rate regulation, regulation of operational practices and consumer relations, and numerous financial and service quality reports. This state regulatory regimen by itself provides the Commission with more than enough information about the LEC ETCs to make the annual certification to the FCC. Therefore, no additional -- especially no duplicative -- reporting requirements should be imposed on these companies.

CLEC ETCs are subject to some Commission regulations and reporting requirements. The issue to determine for these carriers is how much additional reporting the Commission needs in order to have enough information to make their annual ETC certifications to the FCC.

Wireless ETCs are not subject to any Commission regulation or reporting. Therefore, the Commission is starting from scratch as to what reporting it needs to become sufficiently informed so as to make their annual ETC certifications to the FCC.

The Commission's rules should reflect these different realities. The proposed rules plainly do not.

In addition to an ETC's type of operation in Washington, what the Commission needs to know for annual certification purposes differs based on the kind of federal ETC support a company receives. Without repeating in detail the specific comments on this matter, it is plain that an ETC receiving, for example, only federal Lifeline and Link Up support should have a much lighter reporting burden than an ETC that also receives high-cost loop (HCL) and local switching (LSS) support. The draft rules fail to accommodate this issue.

IMPLEMENTATION COSTS

Verizon has completed a preliminary review of the costs associated with the additional requirements proposed in the draft rules. Verizon estimates that the draft rules would result in a cost to Verizon of \$165,600.00 for the proposed advertising and reporting requirements in the first year. This estimate is based on a review of current advertising costs in Washington and manpower requirements necessary to prepare other WUTC compliance filings.

The proposed advertising certification in WAC 480-123-0060(7) would most-significantly require carriers to send bill inserts and either run print advertisements in local newspapers

(a minimum of four times each quarter), or broadcast advertisements on local radio stations (five times a day in general rotation for seven consecutive days each quarter). Bill inserts currently cost Verizon approximately \$7,000.00 per insert in the State of Washington. Using costs associated with Verizon's 2005 ELTEL newspaper advertising (Verizon spent \$9,100.00 for a single ad in each of the major newspapers in Verizon's Washington service areas), Verizon estimates the newspaper advertising requirement to result in a minimum spending of \$36,400.00 each quarter (\$9,100.00 X 4), and \$145,600.00 annually (\$9,100.00 X 16).

Because the map format requested in the proposed WAC 480-123-0070(3) rule is not currently prepared for any other purpose, such preparation would result in the approximate cost of \$7,000.00. Such cost would be incurred at least every three years--as prescribed by rule--because of ongoing customer location, plant and equipment changes.

The additional reports that would be required under the proposed rules would result in an annual cost exceeding \$6,000.00.

* * *

As Executive Order 97-02 recognizes, unnecessary regulation is counterproductive. It is a drag on the operations of the affected companies that ripples out through the economy, negatively affecting consumers. That Order directed the state's agencies to conscientiously adhere to common sense principles of effective and efficient regulation. The shortcomings of the proposed rules that Verizon mentions in these comments – and more described by other commenters – violate these principles.

If you have any questions about the information provided, please contact me at the above number or by email at robert.a.millar@verizon.com.

Respectfully submitted,



Robert A. Millar
Director, Washington State Regulatory Affairs