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May 18, 2004

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Ms. Carole J. Washburn  
Executive Secretary  
Washington Utilities and  
Transportation Commission  
1300 S. Evergreen Park Drive S.W.  
Olympia, Washington 98504-7250

Dear Ms. Washburn:

Subject: **Verizon Northwest Inc. Comments – A-021178**

Per the Notice issued on April 28, 2004, Verizon Northwest Inc. ("Verizon") submits its comments on the 3<sup>rd</sup> draft rules circulated in this docket.

Verizon appreciates the modifications that Staff has made based on previous comments. However, the proposed rule language will still result in increased regulatory burdens for Verizon and other telecommunications companies with no evident need and no apparent benefit. Following are additional general comments and specific comments on the current draft rules.

#### General Comments

The 3<sup>rd</sup> draft does not make clear whether the proposed new rules would replace existing rules that cover the same subjects. For example, proposed 480-120-365 would require advance filings concerning securities and other financial transactions, while WAC 480-146-290 through -340 already require filings for these activities.

#### 480-120-365 Issuing securities

The issuance of securities has two stages. The first stage is the negotiation or competitive bid stage. It is at this stage that the terms of the issuance, such as interest rate, maturity schedule, fees, etc. are established. The second stage is the closing, at which time agreements are signed and funds are transferred, which is generally 3 to 5 days after the first stage is completed. Notification of the actual terms cannot be filed with the Commission prior to the first stage because the terms are established by the market, not dictated by the issuing company. Estimated terms, however, could be filed. Therefore, Verizon suggests subsection (2) should read as follows:

"Before issuance of the proposed security, the company must file with the commission the estimated terms of financing."

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480-120-395 Affiliated interest and subsidiary transactions report

There still has been no demonstration in this proceeding that there is a need for the proposed new reporting requirement for subsidiaries of telecommunications companies. There may or may not be a good case for imposing this burden on other industries, but there is none for imposing it on the telecommunications industry. As Verizon pointed out in previous comments, this rule would apply only to it, the CenTel companies, Qwest and United Telephone Company of the Northwest (Sprint). So far as Verizon knows, it may be the only one of these firms that has a subsidiary (as opposed to affiliates) (Verizon West Coast Inc., a small regulated local exchange carrier that provides service in the northwest corner of California). In its March 11, 2003 summary of parties' comments, Staff responded that Verizon could seek an exemption (waiver) of the rule. The real issue, however, is whether the proposed new burden is justified in the first place.

For these reasons, the subsidiary reporting requirement should be deleted from the draft telecommunications industry rule. Alternatively, the rule should specifically exempt subsidiaries that are local exchange telecommunications companies.

Please contact me at (425) 261.5006 with any questions.

Very truly yours,

Richard E. Potter  
Director - Public Policy & External Affairs

REP:kad