

Agenda Date: July 23, 2003
Item Number: A1

Docket: UT-030459

Company: Qwest Corporation

Staff: Jing Roth, Senior Telecommunications Analyst

Recommendation

Deny the second request by Qwest Corporation in Docket UT-030459 for a temporary exemption of WAC 480-120-304 and portions of WAC 480-146-360.

Background

On June 30, 2003, Qwest Corporation (Qwest) filed its second request with the Commission for a temporary exemption of the following portions of the WAC 480-120-304 and WAC 480-146-360:

Reports Required by WAC 480-120-304 and 480-146-360	Due Date	1 st Requested and granted Date	2 nd Requested date
2002 Annual Report	May 1	August 1, 2003	November 3, 2003
First Quarter 2003 Operations Statement	July 1	August 1, 2003	November 3, 2003
Fourth Quarter 2002 Operations Statement	May 1	August 1, 2003	November 3, 2003
2002 Affiliated Interest Transactions Report	June 1	September 1, 2003	November 3, 2003

Qwest originally filed in April a petition for an extension of time to comply with the rule requirements. The Commission granted the request. Since then, Qwest has filed its 2002 affiliated interest transactions report to comply with WAC 480-146-360 subsections (2), (3)(c), (3)(d), (3)(e), and (3)(f) , and the ARMIS 43-08 section of its 2002 annual report.

The Company states that the basis for the second extension is the same as it has claimed in its first request, in that the SEC periodic reports are not final, and the FCC MR reports still cannot be prepared. Qwest is unable to prepare and file the majority of its annual report, quarterly reports, and its affiliated interests transactions report in order to meet the extended filing deadlines because of issues associated with the restatement of its financial reports.

Discussion

As a result of the restatement of the financial results for 2001 and 2000 by Qwest's parent company, Qwest Communications International, Inc., and the subsequent audits by an external

auditor, Qwest's 1999 annual report is the most current, audited report on file with the Commission. The financial and accounting information contained in the annual reports provide a foundation for understanding and review of the financial operation and capital structure of the Company. Staff uses this type of information in evaluating Qwest's past, present and future performance. In today's dynamic financial market, the usefulness of the financial information goes hand-in-hand with timeliness.

Staff has concerns with Qwest's request for an additional extension of time to file its annual reports because the financial statements provide important information regarding the Company's past earnings and its future prospects. The quarterly accounting information represents a snapshot in time of the financial health of the Company's operations. Staff often refers to annual reports in its analysis of various filings, issues related to contested cases, and as part of the ongoing review of company operations. In terms of financial accounting information, annual reports are the starting point for validation of revenue requirement filings, cost expenditures, credit reports, trends in revenues and expenses, multiple or unusual fluctuations in accounts that could indicate necessary adjustments, and changes in business practices.

Timely filed financial information plays an important role in our daily work at the Commission. Staff believes that a further delay and the lack of this important financial information will hinder our ability to fully analyze Qwest's financial status on a timely basis and reduce the usefulness of the annual reports.

Conclusion

Staff recommends that the Commission deny the temporary exemption of WAC 480-120-304 and WAC 480-146-360 as filed on June 30, 2003.