

Exhibit No. ___ (PMS-5)
Docket No. UT-040788
Witness: Paula M. Strain

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

VERIZON NORTHWEST INC.,

Respondent.

DOCKET NO. UT-040788

EXHIBIT TO TESTIMONY
OF
PAULA M. STRAIN
REGARDING INTERIM RATE RELIEF

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Verizon Response to Staff Data Request No. 203

July 14, 2004

Data Request No. 203:

The Commission's Eleventh Supplemental Order in Docket No. UT-020406, involving Verizon Northwest Inc. stated:

Finally, we are concerned on several grounds about the relationship between VLD and Verizon, and its implications for both competition and regulation. VLD is making substantial inroads on Verizon's toll traffic. Questions arose on this record that the record could not answer about the level of those prices, the relationship between the two subsidiaries, and the effect on the regulated company. Does the corporate relationship operate to the benefit of the parent and the disadvantage of Verizon and other competing carriers? Is there an explanation from VLD that renders the actions and the relationships rational and free from concern? We expect to see a thorough exploration of the relationship, and its consequences, in any future proceeding where the revenues or the consequences of the actions of the two entities are relevant to the matter at issue. [*Emphasis added*].

Please state where in Verizon's filing it has provided a thorough exploration of the relationship between Verizon and VLD, and its consequences. If the Company did not provide the required information because it is the Company's position that the revenues or the consequences of the actions of the two entities are irrelevant to this case, please explain in detail the basis for that position.

RESPONSE:

Verizon objects to this data request for several reasons. First, the data request does not ask for facts or information relevant to Verizon's rate case, but instead asks for a premature statement of position and argument on an issue that has not been determined to be relevant to this case. Second, the response calls for a legal conclusion in that the legality of the Commission's inquiry into affiliate entities is limited by Washington law.

Without waiver of the foregoing objections, Verizon states that the Company has provided all relevant information regarding the relationship between Verizon Northwest Inc. and VLD in the Affiliate Transactions section of Nancy Heuring's testimony, beginning on page 36. This testimony describes Verizon Communications' overall organization structure and the relationship between Verizon Northwest's Washington operations and certain affiliates, including VLD. It also explains why the transactions between Verizon Northwest and its affiliates are necessary and are provided under appropriate terms. In addition, it describes the pricing rules that Verizon Northwest and its non-regulated affiliates (like VLD) must adhere to as described in the CAM. Finally, the testimony discusses that Verizon Northwest files affiliate contracts with the WUTC in accordance with WAC 480-146-350, and all affiliate transactions are provided in Exhibit No. ___ (NWH-5).

Docket No. UT-040788
WUTC Staff Data Requests to Verizon Nos. 201 - 245
May 28, 2004

Prepared By: Gregg Diamond

Date: May 26, 2004

Witness: Nancy Heuring or another SME to be identified at a later date.