BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Rulemaking Concerning Line Extension Tariffs	**)))))**	**Docket No. UT-991737**

COMMENTS OF VERIZON NORTHWEST INC.
DATED SEPTEMBER 14, 2000

STATEMENT OF POSITION

Verizon Northwest Inc.[1] ("Verizon") submits its comments on the revised proposed WAC 480-120-071 - Extensions of Telecommunications Service - rule. On May 25, 2000 Verizon submitted comments opposing the previous version of the extension of service or line extension rule. Since that time, the line extension rule has been revised substantially. Verizon does not believe this rule is necessary for the reasons stated in its May 25, 2000 comments. However, Verizon recognizes that the line extension rule is a well-intentioned attempt to provide telephone service to parties in remote areas who currently do not have telephone service. Verizon also recognizes that Commission staff has spent considerable time and effort in trying to craft a rule to reasonably and fairly reach that public policy goal. If the Commission decides to proceed with the rule, Verizon urges it to improve the rule by modifying it as discussed below.

1. The proposed rule is not competitively neutral.

Taken literally, the proposed rule would impose line extension requirements only on one class of providers — companies required to file "tariffs" (as opposed to "price lists") under RCW 36.36.100. This requirement would exempt all providers such as CLECs that are exempt from the "tariff" filing requirement, despite the fact that all telecommunications carriers in the state have the same obligation to serve under RCW 80.36.090. Adoption of this rule would represent a significant policy statement with respect to a carrier's core obligation to serve in this state, because the rule would burden only some, but not all, providers with extending service to a requesting customer.

The rule would further discriminate between large incumbent local exchange companies

[1] As of June 30, 2000 GTE Northwest Incorporated became Verizon Northwest Inc.

and smaller companies. For instance, subsection 4(b) simplifies the tariff approval process for smaller LECs, while subsection 4(b)(i) creates more onerous reporting requirements for Class A companies. If the Commission adopts the rule it should strike the second sentence of paragraph 4(a). In the second paragraph in 4(b)(ii), the words "Class A" and the entire second sentence should be stricken. Additionally, the quarterly reporting requirement should be replaced with a requirement that a report be filed at the completion of the line extension project. There is no quantified benefit for the regulatory burden of quarterly reporting.

2. <u>The proposed rule would create an implicit subsidy in violation of state policy.</u>

The proposed rule also contradicts state policy embodied in RCW 80.36.600, which was to identify and minimize implicit subsidies in favor of explicit targeted subsidies born by all carriers in a competitively neutral manner. The rule would create an unauthorized program in violation of RCW 80.36.600, because the significant new line extension costs would be implicitly subsidized through terminating access charges under WAC 480-120-540.

3. <u>The proposed rule would create a needlessly complex and administratively burdensome regime and does not target funding where it is truly needed.</u>

The rule as proposed would impose significant regulatory burdens on the affected companies. This rule will require the resolution of detailed fact specific determinations in order for a company to determine which customers are entitled to service under the mandated extension of service tariff and which are not.

Section 6 lists 14 exemptions but does not specify who has the burden of determining whether or not a service request falls within any of the exemptions.[2]

[2] The rule also would require a company to determine whether the premises for service are subject to "temporary occupancy or not." Does the definition of temporary occupancy mean that owners of vacation homes (visited annually) in the Cascades will be entitled to extensions of service?

Some of the exemptions seem inconsistent. For instance, Section 6(j) discriminates in favor of older mobile home parks versus condominiums. The rule would allow cost recovery for the former, but not for the latter, even if the condominiums were built before the mobile home parks.

The service extension charge would require individualized order processing, billing and manual tracking in order to recover the applicable service extension charge.

The proposed rule would require continuous tariff revisions and updating. The tariff process established in subsection 4(b)(i) would require continuous tracking and monitoring or force a company to complete an extension and wait to file a cost recovery tariff until after completion. The company runs the risk that the Commission may reject the tariff to recover the cost of the service extension.

4. The proposed rule’s application to regular business customers is unclear.

Verizon supports the intent of Section 6, however, the proposed rule carves out 14 locations that should be exempt from the line extension obligation, based on the rationale that these exemptions describe situations where cost causers should be expected to pay for the costs they cause. Verizon supports the proposal from WITA to rewrite this section as follows:

> The cost of extension to development, other than the short platting of a single lot, should be born by those who gain economic advantage from development and not by ratepayers in general. This policy will promote the placement of telecommunications infrastructure at the same time as other infrastructures constructed as part of a development.
>
> Accordingly, this rule does not apply to extensions to serve developments, other than the short plat of a single lot.

This proposal would result in a simplified rule that will also clarify that the developer and residents are responsible for the costs of the line extension, not the general ratepayers in the state.

5. The proposed rule would not provide full cost recovery.

Verizon appreciates the fact that the rule does attempt to allow a company to recover the direct and indirect costs of service extension. However, it continues to exempt the cost of reinforcement, network upgrade and similar costs. These costs are real and can be significant if a requested line extension requires a company to add facilities all the way back to the central office. If the rule is adopted, it should be modified to allow for cost recovery for necessary reinforcement, network upgrades and the associated ongoing monthly recurring costs.

6. If adopted, the rules should require minimum customer contracts.

The proposed rule imposes significant costly new obligations on impacted companies with minimum customer commitments. At the very least, subsection 3 should be revised to require customers to enter into a service contract of a certain duration (i.e. three years) which would require them to actually follow through and place an order for service for a certain period of time. This requirement would prevent the "ghost request" which Verizon recently experienced in a project in Eastern Washington in connection with Pontiac Ridge. In that case, the Company spent approximately $500,000 to place facilities to serve 48 customer requests for service on Pontiac Ridge. At this time, Verizon serves only 34 customers. Companies should not have to face significant expense in placing facilities in remote locations unless there is assurance of customer commitment to justify the expenditure, increased terminating access rates and administrative burdens associated with complying with this rule.

7. The Commission may not set rates through rules.

The rules structure is set up to require a covered company to file tariffs to revise terminating access charges <u>if</u> such companies wish to recover the costs of the service extensions under subsection (4) for the obligations imposed by subsection (2) and (3). The Commission should not set rates by rule.

Verizon continues to urge the Commission to refrain from enacting a formal line extension rule and instead to issue an interpretative and policy statement that could produce the same beneficial public policy result with fewer legal impediments.

SUMMARY

Verizon appreciates the Commission's attempts to respond to previous comments on the proposed line extension rule in the rule currently before the Commission. However the key defects with the rule remain and the proposed rule should not be adopted as currently drafted. At the very least, the ambiguities and practical burdens identified in the foregoing comments should be addressed.

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