Exhibit No. T-252 (DBT-1T)
Docket No. UT-020406

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AT&T COMMUNICATION OF THE PACIFIC NORTHWEST, INC.	)	
	)	**Docket No. UT-020406**
Complainant,	)	
v.	)	
VERIZON NORTHWEST INC.	)	
Respondent	)	

SURREBUTTAL TESTIMONY OF

DENNIS B. TRIMBLE

ON BEHALF OF

VERIZON NORTHWEST INC.

FEBRUARY 24, 2003

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.

A. My name is Dennis B. Trimble. My business address is 600 Hidden Ridge, Irving, Texas, 75038. I am employed by Verizon Services Group Inc. as Executive Director - Regulatory and am representing Verizon Northwest Inc. ("Verizon") in this proceeding.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I received an undergraduate degree in business and an MBA from Washington State University in the early 1970s. I then served as an Assistant Professor at the University of Idaho, where I taught undergraduate courses in statistics, operations research, and decision theory. From 1973-76, I completed course work towards a Ph.D. degree in business at the University of Washington, majoring in quantitative methods with minors in computer science, research methods, and economics.

I joined GTE Corporation in 1976 as an Administrator of Pricing Research for General Telephone Company of the Northwest. From 1976 until 1985, I held various positions within GTE Northwest and GTE Service Corporation in the areas of demand analysis, market research, and strategic planning. In 1985, I was named Director of Market Planning for GTE Florida Incorporated (GTE-FL), and in 1987, I became GTE-FL's Director of Network Services Management. In 1988, I became Acting Vice President – Marketing for GTE-FL. From 1989 to 1994, I was the Director of Demand Analysis and Forecasting for GTE Telephone Operations. In October 1994, I became Director of

Pricing and Tariffs for GTE Telephone Operations, and in 1996, I was named Assistant Vice President of Marketing Services. In February 1998, I assumed the position of Assistant Vice President - Pricing Strategy for GTE Service Corporation. I assumed my current position in September 2000. In my current position, I am responsible for the development of various regulatory policies and for supporting those policies in the various regulatory arenas.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE STATE REGULATORY COMMISSIONS?

A. Yes, I have presented testimony on pricing issues, customer demand related issues, and general policy issues on behalf of various Verizon Communications telephone companies before state commissions in Alabama, California, Florida, Hawaii, Illinois, Indiana, Missouri, Oregon, Pennsylvania, South Carolina, Texas, Virginia, and Washington.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony responds to AT&T and Staff's claim that Verizon should impute to its regulated earnings the revenue generated by an unregulated affiliate, Verizon Information Services (VIS). At issue in this proceeding are the revenues realized from the sale of VIS' "Yellow Page" directories. I explain that these revenues cannot be imputed because (1) Verizon has no right to them and (2) the directories business is competitive and the Commission cannot use VIS' profits to reduce Verizon's revenue requirement. I also explain that, unlike Qwest and its predecessors, Verizon has never owned the directories business.

II. VIS AND ITS DIRECTORIES BUSINESS

Q. PLEASE DESCRIBE GENERALLY VIS' DIRECTORIES PUBLISHING BUSINESS.

A. VIS is an affiliate of Verizon. Among other things, it produces "Yellow Page" directories. VIS is *not* regulated.

In order to produce its directories, VIS purchases listings from Verizon. The parties have an agreement – the "Information Provisioning Agreement" – that sets forth the terms and conditions under which Verizon provides, and VIS pays for, subscriber listing information ("SLI"). As its name suggests, SLI is the primary source of subscriber information that directory publishers use.

Q. WHAT RATES DOES VERIZON CHARGE FOR SLI SERVICES?

A. Verizon charges the specific rates that were prescribed by the Federal Communication Commission (FCC) as being cost-based and reasonable.[1]

Q. DOES VERIZON MAKE ITS SLI AVAILABLE TO NON-AFFILIATED PUBLISHERS UNDER THE SAME RATES, TERMS AND CONDITIONS?

A. Yes. Under the federal Telecommunications Act of 1996 (Act), Verizon is *required* to make its listings available to all providers on an equitable and non-discriminatory basis.

[1] *In the matter of Implementation of the Telecommunications Act of 1996, Third Report and Order in CC Docket No. 96-115. Second Order on Reconsideration of the Second report and Order in CC Docket No. 96-98, and Notice of Proposed Rulemaking in CC Docket No. 99-273*, FCC 99-227, (Released September 9, 1999) ("Third Report"), paragraph 103.

Prior to the Act, some incumbent local exchange carriers (ILECs) refused to sell subscriber list information to potential directory competitors, or charged more to ILEC competitors than to ILEC affiliates.[2] Section 222(e) prohibits such activities: "A telecommunications carrier that provides telephone exchange service shall provide subscriber list information gathered in its capacity as a provider of such service on a timely and unbundled basis, under nondiscriminatory and reasonable rates, terms and conditions, to any person upon request for the purpose of publishing directories in any format."

In its Third Report, the FCC established a comprehensive regulatory framework to implement the requirements of Section 222(e). In particular, the FCC developed specific rules and regulations to ensure nondiscriminatory access to directory listings for all directory publishers under the same rates, terms, and conditions that applied to the ILEC affiliate. Moreover, as I previously stated, the FCC imposed specific "cost-based" rates for subscriber listings.[3]

Q. HAS VERIZON, THE ILEC, EVER OWNED THE DIRECTORIES BUSINESS AND THEN TRANSFERRED IT TO A SUBSIDIARY?

A. No. VIS' history traces back to 1926 when a California company named Tel-Ad Publishing ("Tel-Ad") was created to compete with other companies in the directory publishing business. In 1936, Tel-Ad was sold to General Telephone Directory

[2] *Id.*
[3] *Id*. at para. 103.

Company. Since that time, VIS and its predecessor companies have been separate and distinct from any affiliated telephone company.

I understand that the Commission imputed Yellow Page revenue in US West's 1995 rate case, and that the Washington Supreme Court upheld such imputation. But there, the telephone company had owned the directories business and then sold it to an affiliate, and the court permitted imputation based on the theory that "[t]he imputing of revenue is the result of the fact that the Company gave away a lucrative ratepayer-funded asset to an unregulated affiliate in return for little or nothing."[4] The court noted that the USW could "apply for an end to imputation when it can show that it has received fair value for the asset."[5] Here, the facts are different – Verizon never owned the assets in the first place. And to the extent its "assets" are subscriber listings, Verizon receives fair value as determined by the FCC. Verizon will address this point in its legal briefs.

III. POLICY CONCERNS

Q. ASSUMING THE COMMISSION COULD IMPUTE YELLOW PAGE REVENUES, SHOULD IT?

A. No, for two principal reasons. First, imputing such revenues impairs competition for telecommunications services because it artificially lowers one competitor's prices (the ILEC's). Second, it impairs competition in the directories business by taking revenue (*e.g.*, competitive returns) from one competitor (the ILEC's affiliate) but not others. Put

4 *Id*. at para. 94, 96.
5 *Id*. at para. 102.

another way, since Verizon provides listings to all publishers under the same rates, terms and conditions, why should the Commission impute the revenues of only the ILEC affiliate publisher? Such a policy makes no economic sense.

In a broader sense, VIS is just one competitor in the local advertising business arena, which includes radio, television, newspapers, and billboards to name a few alternative providers. The economic consequence of forcing VIS to share competitive returns with Verizon would be to harm competition in the market for local advertising by making VIS a less effective competitor. That is, while rival suppliers of local advertising (including independent publishers and other providers of local advertising) would be unencumbered in their use of their competitive returns to fuel growth by investing in such areas as product differentiation, product quality, entry and expansion, and personnel, among others, VIS' ability to respond to their initiatives would be restricted due to the loss of competitive returns.

As I explained, VIS is unregulated, and derives all of its revenues from non-telecommunications services. Requiring these non-telecommunications revenues to be included in the intrastate rates of Verizon NW would force VIS (or its parent) to make a unique contribution to local telecommunications service that is not required of any non-ILEC telecommunications company or unaffiliated directory publisher (or for that matter, local advertising companies) in Washington. Such a requirement on Verizon and VIS alone is clearly at odds with the development of competitive markets.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.