BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of	)	Docket No. UT-011439
	)	
VERIZON NORTHWEST INC.,	)	REPLY BRIEF OF VERIZON NORTHWEST INC.
	)	
For Waiver of WAC 480-120-071(2)(a)	)	
	)	

I. INTRODUCTION

The Opening Brief of Commission Staff opposes the Amended Petition of Verizon Northwest Inc. ("Verizon") for a waiver of the line extension requirement for the Taylor and Timm Ranch locations in rural, unpopulated eastern Washington.[1] Staff's opposition is meritless because it is based upon myth and misstatement as explained in this Reply. Waiver of Verizon's obligation to extend lines to the Timm Ranch and Taylor locations would be reasonable and appropriate.

[1] Staff's ultimate recommendation to require these line extensions (SOB, p. 5) suggests that Verizon could somehow minimize their adverse impacts on ratepayers and Verizon by making arrangements with other carriers. Verizon should not be ordered to go ahead on a speculative prospect that it could subsequently negotiate a more cost-effective outcome with other carriers. The record demonstrates that all reasonable alternatives have already been explored by all potential providers in this proceeding so there is no reason to speculate that Verizon could somehow negotiate a less burdensome outcome with other carriers in the future. (See, i.e., Ex. 1T, p. 6 and the pleadings filed by Qwest Corporation in this docket.)

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II. ARGUMENT

A. *Myth No. 1:* Because the majority of Washington residents have wireline phone service, all residents are entitled to wireline phone service.

Staff's position is based on the premise that every customer in Washington is "entitled" to wireline residential telephone service because "the overwhelming majority of Washington residents receive such service." (SOB. pp. 1, 4)[2] In Staff's view, anything short of a $100 million expenditure to serve a customer would be reasonable. (TR 686-87). This extreme view demonstrates that Staff thinks there really is no limit to the costs that other rate payers, Verizon and the economy should bear to guarantee that wireline service should be extended almost literally anywhere – no matter what. Staff's view is wrong for several reasons.

First, the law imposes a reasonableness requirement on any entitlement under RCW 80.36.090 and WAC 480.120.071(7)(a). This reasonableness requirement is not meaningless. Staff's view ignores this reasonableness requirement, suggesting that the Commission has no authority to deny phone service. This is not true because there is no enforceable unqualified legal entitlement to wireline phone service.[3]

This reasonableness condition comports with the common law which is summarized in the legal treatise, 64 Am. Jur. *Public Utilities*, § 37: "The right of an inhabitant or group of inhabitants of a community or territory served by a public service company to demand an extension of service for their benefit is not absolute and unqualified but is to be determined by the reasonableness of the demand therefore under the circumstances involved." (Emphasis added, citations omitted). Making reasonableness determinations based upon facts presented to it is a critical part of the Commission's job

[2] SOB refers to Opening Brief of Commission Staff.

[3] While universal service is a goal, the 1996 Telecommunications Act did not make it a guarantee. The new line extension rule "is not a universal service rule" according to the Adoption Order (Ex. 211, p. 9). Therefore the Commission should not be swayed by Staff's universal service theme that all Washington residents are entitled to wireline phone service, even though the line extension rule expresses a policy of cross-subsidization to support such service.

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in ultimately serving the public interest.[4] In this case the Commission is asked to make a reasonableness determination about whether the two extensions of service should be made under the circumstances before it. How many other Washington residents have phone service is really immaterial to the question of phone service at the Taylor and Timm Ranch locations, which must be examined based upon the facts and circumstances of this case. As a matter of law, therefore, Staff errs by suggesting that the Commission's authority to reject wireline service at this time for the Timm and Taylor locations is constrained by the fact that the majority of Washington residents receive phone service.

Additionally, Staff's first "myth" fails as a matter of logic because it ignores the fact that the majority of Washington residents with phone service simply do not impose the kind of costs upon society that are posed by the Taylor and Timm Ranch applications. As Chairwoman Showalter noted at the April 12, 2000 open meeting discussing the line extension rule:

> And I recognize the phone is very important . . . but most people chose to live where such a thing is cheaper and doesn't impose costs on other people.

(Ex. 32T, p. 7.)

Staff's argument also ignores the fact that these applicants already have wireless phone service, which functions to a large extent as a reasonable and less expensive substitute for wireline phone service. This fact means that the applicants have phone service like the majority of Washington residents – it's just not wireline phone service.

Last, if Staff's absolutist's view of telephone "entitlement" is accepted, then the waiver provision of WAC 480-120-071(7) would be meaningless. Every applicant would be entitled to phone service *per se*, despite consideration of the factors for waiver set out in WAC 480-120-071(7)(b)(2)(i)(A)-(G). But the Commission put the waiver provision in the Rule for a reason, even if it is one Staff wishes to ignore.

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[4] The Commission has broad generalized powers in making reasonabless decisions as to rates, terms and conditions of service. See *U.S. West Communications, Inc. v. Washington Utilities & Transportation Commission*, 134 Wn.2d 774, 949 P.2d 1337 (1997).

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To summarize, any "entitlement" to wireline phone service is conditioned upon the Commission's finding of reasonableness. The Commission should find in this case that it is not reasonable to require Verizon to provide service to the applicants in this case. This finding could be based upon the application of all of the factors contained in WAC 480-120-071(b)(2) or it could be made by application of RCW 80.36.090 and WAC 480-120-015.[5] Ultimately the Commission's authority to make the reasonableness decision in this case flows from RCW 80.36.090 and its broad public interest authority under RCW 80.01.040.

B. *Myth No. 2:* The Taylor/Timm Ranch locations are no different than other locations where Verizon provides service.

Incredibly, Staff portrays the Taylor and Timm Ranch line extensions as "typical" (SOB, pp. 39-42). By any stretch, the Taylor and Timm Ranch line extensions would be atypical or extraordinary in terms of their length, their construction costs and their ongoing maintenance. Ex. 7T, p. 1. The facts of record unequivocally support this conclusion:

- The average length of a line extension constructed after the new line extension rule took effect is about 7,500 feet at an average cost of $10,000. (Ex. 7T, p. 9; Ex. 9C). In constrast, the Taylor location would require a 42,600 foot project, costing $329,839 and the Timm Ranch location would require a 142,300 foot project, costing $881,497 (Ex. 4);
- These two line extension projects would consume 40% of the Wenatchee District's 2002 budget (Ex. 1T, p. 9);
- The Timm Ranch extension would create the only loop of its kind in Washington State, with no customers located along a 23-mile stretch (Ex. 1T, p. 10);
- Unusually difficult winter access conditions would be encountered on at least 18 miles of the proposed Timm Ranch extension, which would require over time increased maintenance costs and diversion of personnel from other tasks (Ex. 1T, pp. 13-14; Ex. 7T, p. 12).

[5] Contrary to Staff's argument (SOB, pp. 11-12), the Commission may grant an exemption under WAC 480-120-015(1) from "the provision of any rule in Chapter 480-120, if consistent with the public interest, the purposes of underlying regulation and applicable statutes." See *In the Matter of Pend Oreille Telephone Company*, Docket No. UT 02057, 2002 Wash. UTC LEXIS 175 (May 24, 2002) (Finding 2). Nothing forecloses Verizon from seeking a waiver as it has under both WAC 480-120-071 and WAC 480-120-015. The same prefiled evidence supports both types of waivers and was a sufficient explanation of the reasons why a waiver under both would be appropriate.

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No matter how hard Staff tries to minimize the uniqueness of the Taylor or Timm Ranch locations, the cold facts associated with the Taylor and Timm Ranch extensions establish them to be highly costly outliers.

While the geographic terrain of the Taylor or Timm Ranch locations may be common throughout that portion of Eastern Washington served by Verizon, the sheer lengths and costs associated with placing extension through this difficult terrain make the Taylor and Timm Ranch locations stand out from any other eastern Washington line extension project.

C. *Myth No. 3:* Because Verizon failed to ask for a Subsection 7(b) waiver, costs should not be really considered in a ruling on a Subsection 7(a) waiver.

The Staff mischaracterizes Verizon's narrow request here. Verizon does not ask the Commission to find that the Taylor/Timm Ranch applicants are not "reasonably entitled" to telephone service from any provider in perpetuity. Verizon asks the Commission to find that Verizon is not obligated to provide service to them at this time under the circumstances of this case. The Commission's ruling on that request does not mean that these applicants cannot get telecommunications in the future from other providers or even from Verizon if circumstances change (i.e., technological developments or customer demand). Indeed, the applicants have wireless telephone service today (which works at some home locations, if not others) and such a ruling would not deprive them of it.

Staff raises a bizarre procedural argument (SOB, pp. 18-20), suggesting that Verizon should have asked the Commission for a Subsection 7(b) waiver rather than a Subsection 7(a) waiver because Verizon argues that Washington ratepayers should not have to pay for these incredibly costly line extensions. Staff argues that Verizon's failure to ask for a Section 7(b) waiver somehow means that cost should not be a key factor in ruling on Verizon's Section 7(a) application. Again, Staff is wrong for several reasons. First, the language of WAC 480-120-071(7) does not support Staff's argument. The waiver provisions in Subsection 7 are not mutually exclusive. The criteria for both are set forth in Subsection 7(b)(ii)(A-G). If anything, the consideration of cost is more important in Subsection 7(a) cases because a waiver under that provision relieves the requesting company of the obligation to build

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facilities, as in this case, because of the excessive costs of the project. Excessive cost is likely to be the main driver behind a Subsection 7(a) request. In Verizon's view, the circumstances here dictate that no one else should bear the heavy cost of providing wireline service to these customers at this time. Therefore, only a Subsection 7(a) waiver would be appropriate for a situation like this.

Second, Staff is disingenuous in suggesting that the applicants would be denied service "even if they paid the direct cost." There is no evidence any of the applicants in this case could, or would, pay over $1.2 million to cover these line extensions. There is evidence to suggest they would not. Neither Mrs. Taylor nor Mr. Nelson agreed to pay considerably lower sums for line extensions more than 20 years ago, or under the prior line extension tariff in effect until the enactment of the new Rule. (Exs. 171, pp. 12-13; 172, p. 16) Why would they pay a combined figure of over $1.2 million today? Verizon could not even ask them to do so without a Subsection 7(b) waiver, which would be futile.

Staff's baseless procedural argument is nothing but an attempt to diminish "cost" as a determinative criteria in a waiver request. This makes no sense in a case like this, where the enormity of the cost must be a paramount consideration for the Commission in its decision.

Finally, Staff suggests that the Commission's hands are tied and the Commission would have no alternative to shift any portion of the costs onto the applicants if it chose to impose conditions that might alleviate the costs to ratepayers and Verizon. While Verizon did not advocate such approach, its witness, Dr. Carl Danner, explained to the Commission why in extreme situations, like this, such a cost-splitting might be appropriate. (TR 268-70) For instance, Dr. Danner suggested that the Commission require customers to chip in a significant proportion of cost above a certain minimal contribution from the company (i.e., $10,000). Verizon made this suggestion in response to Commission questioning as to available alternatives. Staff's "procedural" arguments would foreclose any such alternative for the Commission. However, this Commission has full authority under both WAC 480-120-071(7) and WAC 480-120-015 to grant waivers of any Commission rule on appropriate conditions, if consistent with the public interest.

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Staff's convoluted procedural arguments put form before substance and provide little assistance to this Commission in making a decision on whether to grant a waiver, or on what terms.

D. *Myth No. 4:* Verizon will not be burdened economically by providing telephone service to the Taylor/Timm Ranch locations (SOB, P. 2).

The record dispels this myth and proves a demonstrable, disproportionately large economic burden on Verizon if required to do these line extensions for the following reasons:

1. Verizon will be burdened if it does not recover the full $1.2 million cost of the Timm Ranch/Taylor line extensions.

As a starting point, Staff does not dispute Verizon's cost estimates of more than $1.2 million for the Timm Ranch and Taylor line extensions (TR 618-19). As Dr. Danner explained, "The costs of the extensions are what it will take to build them, whether the construction takes place beyond the limits of existing facilities or not." (Ex. 32T, p. 8)

Staff wants to discount the $1.2 million price tag by $309,000, claiming these are "reinforcement costs" are not recoverable by Verizon under the new line extension rule. Staff is wrong on several counts. First, these costs result (within and beyond the existing boundaries of the network) only because of the Taylor and Timm Ranch line extensions and for no other reason. As Ms. Ruosch explained, Verizon would not have included these locations in anticipated network expansion plans in the ordinary course of business (TR 199-202). Indeed, rather than growth, the Bridgeport Exchange has actually been losing lines so there was no reasonable way for Verizon to forecast the line extensions from these applicants, or other demand that would have required construction these extensions would require. Ms. Ruosch, a seasoned manager in outside plant construction, testified "We would never forecast and build out to the very end of the exchange when there is nothing, no demand driven to do that." (TR 201)

Staff would agree to allow Qwest to recover for reinforcement costs if it had to extend service to the Timm Ranch because Qwest would not have planned to go there (TR 661). Yet, Staff would ask the Commission to deny Verizon the same cost recovery when Verizon would never have planned to go to the Timm Ranch but for the line extension request.

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Staff erroneously states as fact, with no evidentiary support whatsoever, that "It is important to understand that if the Foster Creek Ranch were to order another access line, Verizon would have to reinforce the cable for the same distance that it must reinforce it in order to serve the Taylor location." (SOB, p. 46) This is simply not the case. Verizon has available to it various alternative technologies when the actual cable (as in the Foster Creek cable) is at exhaust that do not entail the cable reinforcement Staff claims is required. These include alternative technologies employing an analog carrier or line pair solution that is available to expand capacity in plants located within a certain distance of a central office. While the Foster Creek Ranch is within that distance, the Taylor location is not. Thus it is (once again) the distance or location of the Taylors that makes the difference, in this case dictating the need for cable reinforcement.

Staff confuses Ms. Taylor's line extension request with "normal demand" (SOB 47) to justify depriving Verizon of recovery of so-called "reinforcement costs."[6] What is particularly confused about Staff's position is Staff's failure to recognize that the new line extension rule fundamentally changed the rules for rural network construction, resulting in increased demand and increased costs that have occurred just recently, and which could not have been factored into ratemaking that occurred prior to the new Rule's adoption. The number of new line extension requests has increased dramatically. (TR 266) However, as explained in detail in Response to Bench Request No. 800, the rates set in 1999 to cover Verizon's revenue requirement (including line extensions then anticipated) were put in place when the old line extension tariff was in effect and there was no expectation that the Taylor and Timm Ranch line extensions would be built.

Therefore, those 1999 rates would not recover any reinforcement costs for the Taylor/Timm Ranch locations. Furthermore, the costs and rates set in the universal service Docket UT-98311(a) are just a rearrangement of those same rates that pre-dated the new line extension rule and would not have

[6] In Staff's view, the Company should have to contact every possible customer in a rural district to forecast line extensions (TR 706). This is inherently expensive, unreasonable and inconsistent with how the real world of telephone plant construction works.

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produced any vehicle for cost recovery for Verizon reinforcement for these extensions. In short – Verizon does not get a penny more from universal service subsidies as a result of these new line extensions (TR 453). Therefore, Staff is simply wrong in stating that Verizon now recovers revenues to compensate for these new costs. If these extensions are built and Staff's view on "reinforcement" prevails, Verizon will have to absorb $309,000, at a time when its earnings level in Washington is bleak – below 2% (TR 289). The economic harm to Verizon is clear because of this amount alone, which does not recognize future economic harm from increased maintenance and replacement costs.

2. Verizon's construction budget and activities will be harmed by the Taylor/Timm Ranch line extensions.

Staff argues that so long as Verizon has any money in its construction budget – which Staff erroneously seems to assume has no finite boundary[7] – it should construct the Taylor and Timm Ranch line extensions (TR 625).

Again, Staff is wrong. First, Ms. Ruosch testified to a very finite budget given current economic realities facing Verizon – 40% of which would have to be allocated for these projects. (Ex. 1T, p. 9) The real question here is whether those resources should be allocated to benefit so few, delaying projects that would serve many more customers.

Second, if this argument were to prevail, Verizon's ability to plan and construct its network in an efficient manner to maximize benefits to its customers would be impaired. Staff unfairly faults Verizon for trying to utilize limited resources "to the best opportunity" it can (SOB 51). Staff then twists Dr. Danner's testimony, claiming Verizon would take reinforcement dollars received from ratepayers to line shareholders' pockets (SOB 51-52). What Dr. Danner actually said was that the company (and possibly its shareholders) will lose money from these line extensions if the costs are not recovered. Elsewhere Dr. Danner explains why Verizon would not recover these costs if reinforcement cost recovery is denied. (Ex. 32T, pp. 8,20) Staff is again confused to suggest that Dr. Danner claims the

[7] (TR 698) Mr. Shirley expressed his views on this subject despite having no knowledge of Verizon's capital budgeting process. (TR 693)

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company would not make reinforcements in order to pocket existing reinforcement funds. Dr. Danner's thesis throughout has been that these line extensions cause real, serious costs, that justify a waiver. If that waiver is denied, then full cost recovery should be allowed to Verizon consistent with the Commission's intent to compensate companies for line extension costs they would not otherwise recover in rates.

E. *Myth No. 5:* Verizon willingly made more expensive line extensions for which it sought cost recovery.

Throughout this case, Staff has tried to argue that the Cedar Ponds line extension project is relevant to this case because Verizon sought and received cost recovery for it. This argument fails because the Cedar Ponds project was undertaken prior to the new line extension rule and Verizon would not have sought cost recovery had Staff witness Bob Shirley not suggested it to Verizon! Staff created the very opportunity to recover the Cedar Ponds costs and now criticizes Verizon for accepting it. As demonstrated in the Declarations of Joan Gage on file in this docket, Mr. Shirley suggested to Verizon that it could obtain cost recovery for the Cedar Ponds project under the new line extension rule, WAC 480-120-071, even though the project was commenced prior to the new rule's effective date. Had Mr. Shirley not made this suggestion, Verizon would not have sought recovery under WAC 480-120-071.

Ms. Gage's declarations explain why the facts of the Cedar Ponds line extension are materially different than the Taylor and Timm Ranch line extensions. Mr. Shirley first contacted Verizon regarding requests for service from residents in the Cedar Ponds area in the summer of 1999. At that time the interpretation of Verizon's existing line extension tariff was the subject of a dispute with Staff. Verizon and Staff differed as to whether the tariff language allowed multiple applicants along a line extension route to pool their free half-mile allowances to avoid paying for lengthy and costly line extensions. This issue was central to the dispute between the Company and Commission Staff with regard to another project, the Pontiac Ridge project, discussed in the testimony of Mr. Shirley and Ms. Kay Rausch in this case. Regarding the Pontiac Ridge project, the Staff made it clear to Verizon that its interpretation

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was that the free half mile allowances were to be pooled and that Staff was willing to open a complaint proceeding against the company as to the proper interpretation of the tariff language. The Company made a business decision to build Pontiac Ridge after considering the risk of an unfavorable decision in a complaint docket and possible associated penalties. In view of the Pontiac Ridge history Verizon elected to construct the Cedar Ponds Project consistent with Staff's interpretation of its tariff. Under that approach of pooling the allowances, because of the number of applicants and the distance from the existing network, Verizon anticipated that it would have to absorb 100% of the cost of the Cedar Ponds Project, until Mr. Shirley suggested otherwise.

Mr. Shirley met with Verizon company officials in June of 2000. At that meeting, Mr. Shirley told Verizon that Staff would not oppose a request by the company to recover the costs of the Cedar Ponds project under the new line extension rule, when the project was finished. Ms. Gage confirmed Mr. Shirley's position during several subsequent conversations. Indeed, had it not been for Mr. Shirley's advice, Verizon would not have made the tariff filing. Therefore, it is disingenuous for Staff to now claim that Verizon had no problem undertaking a large line extension job and having ratepayers pay for it. Verizon would have sought a waiver had the new line extension rule been in existence. (TR 203) The Company should not be faulted for seeking cost recovery at the impetus of Staff for a project that Staff strongly pressured Verizon to undertake.

Thus, it is simply not the case, contrary to Staff's suggestion, that Verizon had no problem expending significant sums of money to complete the Cedar Ponds Project. Verizon had to make an exception to its normal capital budget in order to accomplish the Cedar Ponds Project. Verizon did not anticipate the costs would be as large as they ultimately grew to be. The Cedar Ponds Project was a unique situation and should not be viewed as an admission of Verizon in any respect and should not be held against the company in this case.

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F. ***Myth No. 6:*** **Verizon's total direct costs per customer are significantly less than Verizon claims.**

As explained in Section II.C, Verizon's "total direct costs" estimated to construct the Timm Ranch/Taylor line extensions exceed $1.2 million. Staff tries to minimize this by improperly deducting "reinforcement costs." It then tries to minimize these excessive costs by increasing the number of customers at each location. With respect to the Taylor location, Staff erroneously assumes that six customers would be served because the extended network could be capable of serving them. In fact, Verizon has received requests for service from only three residents – one of whom does not even live there yet. There is no reason to believe, except sheer speculation, that the "other three" residents along Hayes Road will apply for service. One of them, Mrs. Margarete Weisburn, has affirmatively stated that she does not want landline service from Verizon's Bridgeport Exchange (TR 202). As for the other two hypothetical applicants, it is only reasonable to believe that Staff's extensive involvement with the telephone issues at the Taylor location would have led them to come forward if they wanted service. They have not.

Staff's position is in stark contrast to Verizon's actual line extension projects experience. In two controversial line extension projects, Cedar Ponds and Pontiac Ridge, Verizon received more applications for service than actual customers. With respect to Pontiac Ridge, 44 applications were received but today Verizon serves only 37 customers (Ex. 7T, p. 15). With respect to Cedar Ponds, Verizon received 16 applications but only provides service to ten actual customers today (Decl. of Joan Gage, November 22, 2002). Therefore, there is no reason to artificially increase the number of customers at either location. The fact remains that Verizon today has received a total of eight applications for the locations in question. Per customer cost must be calculated based upon the actual facts – not upon speculation that "future residents very likely will" (SOB, p. 13) become customers. This means that the per customer cost at the Taylor location is $110,000, ore more than eleven times the average and $176,000 per customer at the Timm Ranch location, which is seventeen times the average (Exs. 3, 4; TR 193).

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Staff eventually concedes that "A waiver should be granted only in those cases in which the per-customer investments are clearly beyond the norm." (SOB, p. 30). By any reasonable interpretation of that statement, the per-customer costs in this case justify a waiver.

G. *Myth No. 7:* Existing wireless service is not a reasonable substitute.

As explained in Verizon's Post-Hearing Brief (pp. 11-13) the applicants at both the Taylor and Timm Ranch locations have wireless service. Both locations have benefited from free RCC service that works at both locations. There is no evidence in the record that Mrs. Taylor or Mr. Nelson would not continue with RCC service after the "free" trial period concludes.

While wireless service at both locations may not be perfect and may be priced differently than wireline service, these factors do not compel the conclusion that wireline service must be extended to these locations to augment the existing wireless service. Neither applicant stated they would give up wireless service if wireline service were installed. Mrs. Taylor said she would keep her cell phone. (Ex. 172, p. 29). Mr. Nelson and his family all currently have cell phones (Ex. 171, pp. 23-25). Given the nature of their ranching operations, the mobility of wireless phones would suggest continued usage of them.

With respect to cost, neither Mrs. Taylor nor Mr. Nelson stated that cost was their primary concern in seeking wireline service. Access to the Internet and reliability were more important to them. There is no evidence that either party found existing wireless service to be non-affordable. Furthermore, the comparability of price between wireless and wireline might be hard to determine because of the variables associated with customer-selected wireless calling plans, long-distance charges and local calling areas. There is no record of such a bill or rate comparison between the two technologies.

Given the state of the record on the issue of wireless substitutability the Commission could reasonably conclude that the applicants currently have telecommunications capabilities, and the other factors associated with these line extension requests, most notably their extensive cost, require a waiver

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in this case. Simply put, the costs of these wireline line extensions outweigh the benefits of them, particularly when wireless or other capabilities (i.e., satellite) are present.[8]

H. *Myth No. 8:* Ratepayers and Verizon should subsidize large-scale agricultural operations like the Timm Ranch because they can't be located in populous areas.

This case does not deal with the public policy issues surrounding the subsidization of agricultural business operations. The Rule precludes subsidized extensions for business, and none of the waiver criteria suggest that commercial ranching enterprises should be given special consideration because they must be located in rural areas. Indeed, numerous other commercial enterprises are also "place-bound" as Staff suggests. Ski resorts need to be on mountains to operate as a business. Commercial ports need to be near bodies of water to operate. None of these businesses would be eligible for subsidized line extensions. The fact that cattle ranches need to be in rural areas is hardly a justification for requiring Washington's ratepayers and Verizon to subsidize a ranch's phone service for business purposes. Many other farmers and ranchers operate in this state without the benefit of such a subsidy, as has the Timm Ranch for decades.

If the Commission were to conclude that agri-businesses like the Timm Ranch qualify for line extension subsidies due to their location, then the distinction between subsidies for residential versus commercial would be lost. The financial ramifications of a costly policy decision would confer unwarranted financial windfalls upon all rural property owners. Contrary to Staff's suggestion, Verizon has never claimed Mr. Nelson or Mrs. Taylor lived like "hermits." Indeed, the record shows them to be actively engaged in their respective communities. Where they have chosen to live, however, puts real constraints upon the availability of services to them, which they have apparently lived with or addressed by alternative means. Verizon urges the Commission to weigh the consequences of those personal choices in making its decision on the waiver request.

[8] (Ex. 1T, p. 11-12) Mr. Nelson said he would explore satellite options (Ex. 171, p. 25).

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III. CONCLUSION

The Commission adopted a new line extension rule with waiver provisions to prevent Washington ratepayers, the economy and the Company from subsidizing excessively costly and unwarranted line extensions. These provisions give the Commission the tools to set reasonable limits. A limit should be drawn here and Verizon should be relieved of its obligation to extend lines to the Taylor and Timm Ranch locations.

RESPECTFULLY SUBMITTED this _____ day of March, 2003.

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