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Verizon Northwest Inc.

P.O. Box 1003
Everett, WA 98206-1003
Fax: 425-261-5262

January 18, 2005

Ms. Carole J. Washburn,
Executive Secretary
Washington Utilities and
Transportation Commission
Chandler Plaza Building
1300 S. Evergreen Park Drive SW
Olympia, Washington 98504

Subject: **Verizon Northwest Inc. Comments – A-021178**

Dear Ms. Washburn:

Per the Notice issued on December 23, 2004, Verizon Northwest Inc. ("Verizon") submits its comments on the latest version of the draft rules circulated in this docket.

480-120-365(1) Issuing securities.

This rule is not needed. If it is nevertheless adopted, the time frame for filing the required report should be set more realistically.

Verizon appreciates the proposed rule's distinction between investment grade and non-investment grade companies. This reflects the reality that the financing activities of investment grade companies such as Verizon do not need the same regulatory scrutiny as those of non-investment grade companies. In fact, the Commission should conclude that no special reporting from these companies is required at all and not adopt the proposed rule 480-120-365(1).

If the rule is adopted, the filing deadline should be consistent with the reality of business practices. Accounting books are usually closed ten days after month-end.

Therefore, Verizon could best incorporate this new requirement into its financial reporting process if the timing of the report were revised as follows:

(1) Telecommunications company rated investment grade. Within thirty days ~~five business days~~ after the end of the month in which a telecommunications company that is rated investment grade issues a security, it must file with the commission:

480-120-395 Affiliated interest and subsidiary transactions report

No new requirement should be imposed on telecommunications companies to file a report with regard to subsidiaries. If any such requirement were to be adopted, it should expressly exclude subsidiaries that are local exchange companies, regardless of the state in which they operate.

While state law allows the Commission to require reports of regulated companies' transactions with "affiliates," subsidiaries are not included within that definition. Therefore, it appears that the Commission does not have legal authority to impose the proposed new subsidiary transaction reporting requirement.

In any event, there has been no demonstration in this proceeding that there is a need for the proposed new reporting requirement for subsidiaries of telecommunications companies operating in Washington.

So far as Verizon knows, this new requirement would apply only to it and Qwest, the CenTel companies, and United Telephone Company of the Northwest (Sprint).

Verizon has one subsidiary: Verizon West Coast Inc., which is a local exchange company in northern California. As a practical matter, Verizon West Coast Inc. is integrated into the operation of Verizon Northwest Inc. in the same fashion as Verizon Northwest's Oregon and Idaho operations are integrated with its Washington operation. Just as the Commission has no requirement and no need for reports of "transactions" between Verizon's Oregon, Idaho and Washington operations, it has no need to review "transactions" with the Company's northern California operations. This rule, as currently drafted, would result in an additional, unnecessary regulatory burden.

In its March 11, 2003 summary of parties' comments, the Commission's Staff responded that Verizon could seek an exemption (waiver) of the rule. The real issue, however, is whether the proposed new burden is justified in the first place.

The subsidiary reporting requirement should be deleted from the draft telecommunications industry rule.

Alternatively, the rule should specifically exempt subsidiaries that are local exchange telecommunications companies, as follows:

WAC 480-120-395 Affiliated interest and subsidiary transactions report.

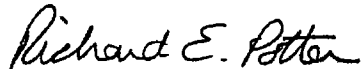
(1) By June 1 of each year, each telecommunications company subject to the provisions of chapter 80.16 RCW must file a report summarizing all transactions that occurred between the company and its affiliated interests, and the company and its subsidiaries, (except subsidiaries that are local exchange companies), during the period January 1 through December 31 of the preceding year.

Another option to reflect this change would be to add a subsection to this rule as follows:

(5) This section does not apply to subsidiaries that are local exchange companies regardless of the state in which they operate.

Please call me at 425-261-5006 if you have any questions.

Very truly yours,



Richard E. Potter
Director
Public Policy and External Affairs