

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the
Request of Sprint Nextel Corporation
for an Order Declining to Assert
Jurisdiction over or, in the Alternative,
Application of Sprint Nextel
Corporation for Approval of the
Transfer of Control of United
Telephone Company of the Northwest
and Sprint Long Distance, Inc. from
Sprint Nextel Corporation to LTD Holding
Company.

DOCKET NO. UT-051291

COMMISSION STAFF'S
RESPONSE TO SPRINT'S
MOTION TO STRIKE OR, IN
THE ALTERNATIVE, ACCEPT
REVISED TESTIMONY OF
NANCY L. JUDY

1 Sprint Nextel Corporation (“Sprint”) has filed a motion with the Commission to strike portions of the Revised Testimony of Wilford Saunders, submitted on February 6, 2006, or in the alternative, accept the revised testimony of Nancy L. Judy. The motion to strike should be denied, because Mr. Saunders’ revised testimony simply clarifies the position that Commission Staff has consistently taken from the outset of this proceeding—namely, that United Telephone Company of the Northwest’s (“United”) outdated rate structure threatens the financial viability of United, a serious concern that is made even greater in light of the proposal to spin-off United as a separate company. Contrary to the allegations of Sprint, the revisions to Mr. Saunders’ testimony, which were made pursuant to the Commission’s Bench Order of January 30, 2006, (“Bench Order) are both proper and consistent with that order.

2 In its original testimony, Commission Staff set out its concerns with United’s current outdated rate structure and recommended a remedy. Staff recommended that, as a condition

of approving the proposed spin-off transaction, the Commission require United to lower its intrastate access charges and raise or restructure its local exchange rates, a process often referred to as “rate rebalancing.” Staff further recommended that the remedy of rate rebalancing be done as a part of this proceeding.

3 In the Bench Order, the Commission ruled that it would not consider the proposal to implement access charge adjustments and rate rebalancing in this proceeding. The Commission ruled that if changes to the rates were to be made, this should be done in a general rate proceeding brought by the company, or by a complaint brought by the Staff. *Transcript of Proceeding, January 30, 2006, Vol. II at pp. 28-30.* The Commission did not rule, however, contrary to the repeated allegations of Sprint, that any and all references to “rates” must be expunged from the record in this proceeding. The Commission did not state that it must ignore United’s current rate structure in determining whether to approve or disapprove the proposed transaction. The Commission did not “unambiguously conclude,” as Sprint contends, that all “rate issues” are beyond the scope of this proceeding. *Sprint Motion, at 5.* Rather, the Commission removed the remedy of rate rebalancing from this proceeding. To the extent that Mr. Saunders’ original testimony refers to rate rebalancing and access charge restructuring, such testimony has been stricken, pursuant to the Bench Order.

4 However, Staff’s concern with United’s current outdated rate structure remains. The revisions to Mr. Saunders’ testimony pursuant to the Bench Order simply makes this clear, and emphasizes that this is still a highly relevant factor for the Commission to consider in determining whether the proposed spin-off of United is in the public interest. The motion to

COMMISSION STAFF’S RESPONSE
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strike is not well taken and should be denied.

5 In the alternative, Sprint proposes that the Commission accept the Revised
Testimony of Nancy L. Judy, attached to its motion. Staff has no objection to this
alternative request.

DATED this 22nd day of February, 2006.

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