

JULY 16, 1999

COMMENTS FROM GTE NORTHWEST IN PROPOSED RULE MAKING

I. INTRODUCTION

GTE Northwest Incorporation (“GTE”) has reviewed the first draft revisions to the Budget Rules, Chapter 480-140 WAC which were disseminated by the Commission on June 28, 1999. This document provides GTE’s comments with respect to this discussion draft.

II. DISCUSSION

A. Telecommunications companies should be exempt from WAC 480-140.

In its comments submitted on May 13, 1999, GTE recommended that telecommunication companies be exempted from the budget filing requirements. GTE continues to maintain this position. While the revisions in the discussion draft are an improvement, they do continue to require the filing of unnecessary budgets by telecommunications companies. Commission review and approval of budgets for telecommunication companies is no longer necessary in today’s competitive telecommunications environment. Budget filing rules were originally intended to achieve the purpose of protecting ratepayers from unauthorized, excessive expenditures from fully regulated utilities which would have to be recovered through rate increases. In today’s competitive environment, no telecommunication company is going to make an unnecessary expenditure because cost recovery is not guaranteed and market forces drive rates to their lowest levels. Therefore, the budget filing rules no longer satisfy their original purpose. They can, and should, be eliminated for telecommunication companies, consistent with the directive in the Preproposal Statement of Inquiry which initiated this docket.

Furthermore, proposed WAC 480-140-040 would require reporting of “operating income” in a budget filing. Such a requirement has nothing to do with review of expenditures (the ostensible purpose of the budget rules). Such information is already included in annual reports required by RCW 80.04.080. It serves no purpose to repeat it again..

As explained in GTE’s previous comments, this Commission does not have to require the filing of budgets for telecommunications companies. The discussion draft does not state what the Commission will do with the budgets, if they are filed. The discussion draft suggests such filings would be “informational” in nature¹

The Commission always retains the authority to have access to GTE’s records under RCW 80.04.090. GTE remains obligated to file annual reports under RCW 80.04.080. The Commission continues to have access to the type of actual telecommunication company information which it might need in these waning days of full regulation. Requiring an additional budget filing for “informational” purposes does nothing but increase the regulatory burdens of GTE and the Commission.

B. GTE Could Not Comply With the Discussion Draft.

Proposed WAC 480-140-40 would require GTE to prepare budgets showing construction expenditures, operating income and operation and maintenance expenditures for Washington. GTE does not currently prepare such state-specific budgets. WAC 480-

¹ However, RCW 80.04.300 states that when budgets “are to be filed the commission shall examine into and investigate . . . to determine whether the expenditures therein proposed are fair and reasonable and not contrary to public interest.” RCW 80.04.010 gives the Commission the authority to “reject any item of the budget” to control expenditures. It would not be fair, or competitively neutral to tie up GTE’s operations by such a budget review when its competitors would not face similar constraints on their expenditures.

140-040 would force GTE to incur additional, unjustified expense to somehow (if possible) carve out a state-specific budget when it does not have to do so in the majority of the other states in which it operates.

Absent some compelling regulatory reason, the Commission should not continue a budget filing requirement for telecommunications companies. The direction of Congress and the State of Washington is to forego regulation where possible to promote competition. (i.e. Section 706(a) of the Telecommunications Act of 1996, Pub.L. No. 104-104, 110 Stat. 56 (1996); RCW 80.36.135). The Commission should follow that direction and get rid of needless budget filing rules for telecommunication companies.

III. RECOMMENDED RULE CHANGE

GTE respectfully renews its previous request that the Commission adopt the following revisions to WAC 480-140-020 to exempt all telecommunications companies from the budget filing requirements.

All public service companies shall file budgets with the commission except (1) gas, water, ~~telecommunications, telegraph~~, and electrical companies whose annual gross operating revenues do not exceed one hundred fifty thousand dollars and (2) water companies who are required to file water system plans with the department of health in compliance with WAC 246-290-100 and (3) telecommunication companies. Water companies required to file such plans with the department of health shall concurrently file a copy of such plan with the commission.

RESPECTFULLY SUBMITTED this _____ day of July, 1999.

WILLIAMS, KASTNER & GIBBS PLLC

By _____
Judith A. Endejan
WSBA #11016

Attorneys for GTE Northwest Incorporated
601 Union Street, Suite 4100
Seattle, WA 98101-2380
(206) 233-2998