

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

VERIZON NORTHWEST INC.,

Respondent.

DOCKET NO. UT-040788

NON-CONFIDENTIAL
PUBLIC COUNSEL, AARP, AND
WeBTEC MOTION TO COMPEL
RESPONSES TO DATA REQUESTS

1. Pursuant to WAC 480-07-425, Public Counsel, AARP, and WeBTEC move the Commission for an order compelling Verizon to respond to the data requests detailed below. Public Counsel *et al.* have made good faith efforts to resolve these discovery disputes informally. A conference was held with counsel for Verizon on September 17, after which supplemental responses to the disputed requests were provided on September 23 and September 28, 2004. Some of the supplemental responses were not satisfactory and this motion is brought to resolve the parties' dispute.

A. Introduction

2. This motion covers Public Counsel/AARP/WeBTEC Data Request Nos. 108, 155, 156, 157, 160, and 162. Copies of each of these requests and the original and supplemental responses provided are attached hereto.
3. All the data requests seek information of various kinds regarding Verizon's directory publishing business. Because directory revenue imputation is an issue in this general rate case proceeding, specific information regarding Verizon's directory publishing business in Washington is relevant and discoverable. WAC 480-07-400(4)
4. As a general proposition, Verizon has been non-responsive and obstructionist with respect to these requests.

B. Public Counsel Data Request No. 156

5. The response to this data request best illustrates the nature of the dispute. In Public Counsel Data Request No. 156, Verizon was asked “whether or not it is possible to prepare income statement results for the directory publication business of Verizon that ‘carve-out’ or otherwise segregate reasonable estimates of the directory revenues, direct expenses and allocated indirect expenses associated with directory publishing in Washington.” The data request went on to ask for such information for 2002 and 2003. In its supplemental response, Verizon does not say whether such calculations are possible. Instead, Verizon now says, “VIS [Verizon Information Services] does not maintain complete financial reports at a state level. The only direct expenses that can be captured at the state level are printing and directory distribution costs. The remaining costs would have to be allocated based on assumptions and methodologies that have yet to be developed, since there is no business reason for VIS to allocate costs at the state level.”

6. This response is curious since, in Hawaii, the company appears to have a markedly better ability to generate this type of information – that is “carve out” financial statements relating to the directory business. In response to Staff’s Motion to Compel, Verizon has already provided the Commission with a copy of the Hawaii merger application, Supplemental Response of Verizon Northwest, Inc., To Motion to Compel, Attachment A. Verizon’s pleading attached the high level merger entity chart that says little about the substance of the deal. Exhibit 1 to the application, however, is the Agreement of Merger. Significantly, at paragraph 3.3(a) and 3.3(d) of the Agreement of Merger, financial statements are referenced in Verizon’s “Seller Disclosure Schedule” that reflect “...carved-out components of Verizon Information Services...” and other business units being sold in Hawaii, for year end 2002 and year end 2003. VIS contains the multiple entities making up the Hawaii directory publishing business segment. These carve-out financial statements are part of Seller’s representations to Buyer and were clearly relied upon by Buyer in evaluating the financial performance of each segment of the business being acquired,

including directory publishing, even though the total consideration was a single “bundled” price for all segments. A copy of these portions of the Agreement of Merger is attached to this motion.¹

7. In other words, for its Hawaii directory business, Verizon appears to have the capability to generate and provide carve out financial statements for specific time periods, including year end 2002 and 2003. When Public Counsel requested that very same information with respect to Washington, Verizon’s response can be paraphrased: “we don’t have the reports and it can’t be done.” This is not an acceptable response.

C. Other Public Counsel Data Requests

8. The Verizon theme of non-responsiveness to inquiries associated with directory imputation is also reflected in the responses to other Public Counsel data requests.

9. Public Counsel Data Request No. 108: Verizon failed to provide a detailed breakdown, including by affiliate, information buried with the high level aggregation of all “Information Services.”

10. Public Counsel Data Request No. 155: Verizon objects and refuses to provide pre-consolidation breakdowns of financial data for the component entities of Verizon Information Services (VIS).

11. Public Counsel Data Request No. 157: Verizon failed to provide the requested “supporting calculations” for the effect of its directory accounting change (see further discussion of this response below).

12. Public Counsel Data Request No. 160: Verizon confirms its assertion that it does not maintain certain data at the directory level, with the qualification that “it does not distinguish between yellow and white page advertising types.” Notably, however, in Confidential

¹ The full text of the agreement (redacted) is 112 pages. It is available at the website of the Hawaii Public Utility Commission at [http://www.state.hi.us/budget/puc/dockets/Exhibit%201%20\(AGREEMENT%20OF%20MERGER%20\(REDACTED\)\).pdf](http://www.state.hi.us/budget/puc/dockets/Exhibit%201%20(AGREEMENT%20OF%20MERGER%20(REDACTED)).pdf)

This provides information about the value of the directory publishing business in Washington, which in turn directly and materially affects the appropriate level imputation and ultimately of Verizon's intrastate rates.

15. While Verizon has the right to argue its position that imputation is not appropriate in Washington, or that it should be limited to a certain revenue amount, it does not have the right to simply "stonewall" across the board by refusing to comply with legitimate requests for discovery of relevant information about its directory business.

16. Given the obstruction and non-responsive conduct of Verizon, the company should be required not only to fully respond to each of the data requests listed, but to provide revenue, expense, and investment allocations necessary to present representative and fully documented financial information that reflects the directory publishing operations in Washington in 2002 and 2003, using the conventions and methods employed for this same purpose in Hawaii.

Respectfully submitted this 30th day of September, 2004.

CHRISTINE O. GREGOIRE
Attorney General

Simon J. ffitc
Assistant Attorney General
WSBA No. 25977

AARP

Ronald L. Roseman
WSBA No. 15396

WeBTEC

ART BUTLER
WSBA No. 04678