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March 11, 2003

Ms. Carole Washburn
Executive Secretary
Washington Utilities and
Transportation Commission
1300 S. Evergreen Park Drive S. W.
P. O. Box 47250
Olympia, Washington 98504-7250

Re: A-021778 - Chapter 480-120-304 (4)(a) WAC, Telecommunications

Dear Ms. Washburn:

Qwest Corporation offers the following comments in response to the Commission's February 18, 2003 Notice of Opportunity to File Written Comments in conjunction with the draft financial reporting rules.

Qwest's concern lies principally with the timing and unclear scope of the financial transaction reporting set out in proposed WAC 480-120-304(4)(a). As proposed, the Commission would require all companies to file a report summarizing substantial transfers of cash, credit or other pecuniary interest between "a company, its subsidiaries, or its affiliates" twenty days prior to the transfer.

Timing. The proposed timing of reporting under this rule is both unnecessary and, from a practical perspective, unworkable and counterproductive to the companies regulated by the Commission. Given that the rule does not propose to require pre-approval by the Commission of any such transfer or provide any other mechanism by which the Commission could preclude the transfer from occurring, Qwest does not believe it is necessary for companies to file notice twenty days in advance of the transaction occurring. Qwest infers that the purpose of this new requirement is to ensure that the Commission keeps apprised of all such transfers. This goal could be easily satisfied if the requirement were altered to require reporting as soon as practicable, but no later than 30 days after the transfer occurs. Requiring notice twenty days before a financial transfer between a utility and its subsidiary or affiliate is impracticable. The requirement would impede the ability to prudently manage the liquidity of the utility, its subsidiaries and its affiliates by requiring the utility and its subsidiaries and affiliates to maintain excessive liquidity in order to compensate for unanticipated liquidity needs that might arise within the twenty-day time limit imposed by the rule. Liquidity management is an important element in the prudent management of Qwest, its subsidiaries, and its affiliates. The rule could materially interfere with that management process.

<u>Scope</u>. Qwest is also concerned by the somewhat unclear wording regarding what types of transactions fall within the scope of the reporting requirements. As proposed, the rule requires prior notification of the "transfer of cash, credit, or any pecuniary interest between a company, its subsidiaries, or its affiliates." As worded, this could require the public service company to notify the Commission of transfers occurring solely between two unregulated subsidiaries or affiliates, even if those transactions do not involve the regulated utility. Qwest believes the intent of this proposed rule is to require reporting of monetary transfers between the regulated public service company and its subsidiaries or its affiliates.

Based on these comments, Qwest would suggest that the Commission revise proposed WAC 480-120-304(4)(a) as follows:

(4) **Special Reports.**

(a) **Financial transaction reports.** ~~Twenty days prior to~~ <u>As soon as is practicable, but in no case later than thirty days after</u> the transfer of cash, credit, or any pecuniary interest between a company~~,~~ and its subsidiaries~~,~~ or its affiliates, the company must report to the commission the amount and the details of the transaction when:

(i) A single transaction amount exceeds five percent of prior calendar year gross operating revenue; or

(ii) A cumulative transaction amount for the prior twelve months exceeds five percent of prior calendar year gross operating revenue.

Qwest appreciates the opportunity to provide these comments and looks forward to participating with the Commission as this rulemaking process continues.

If you have any questions, please call me at 206-345-1568.

Very truly yours,

Mark Reynolds