

Exhibit No. \_\_\_ (PMS-22)

Docket No. UT-040788

Witness: Paula M. Strain

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**VERIZON NORTHWEST INC.,**

**Respondent.**

**DOCKET NO. UT-040788**

**EXHIBIT TO TESTIMONY  
OF  
PAULA M. STRAIN  
REGARDING REVENUE REQUIREMENTS**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**Verizon NW Response to Staff Data Request No. 522**

**November 22, 2004**

**DATA REQUEST NO. 522:**

Attachment 448c.9 to Verizon's Response to Staff's Data Request No. 448 is an Email which discusses the FCC's intent regarding direct assignment during the separations freeze.

1. Did Verizon receive any official or formal document or guidance from the FCC that clarifies its requirement that direct assignments of plant be updated annually during the period of the separations freeze (47 CFR 36.3)? If so, please describe that clarification and all supporting documentation.
2. Please confirm that Verizon Northwest's interpretation of Part 36, specifically the relationship between the separations freeze and the requirement that direct assignments be updated annually, is that direct assignments of plant to either the interstate or intrastate jurisdiction that were based on investment studies are not subject to the annual update requirement.
3. If the statements in item 2. are not an accurate representation of Verizon's position regarding the direct assignment update requirement, please explain and describe Verizon's policy and procedures regarding the direct assignment update requirement and provide all documents supporting Verizon's interpretation of the direct assignment requirement.

**RESPONSE:**

1. Verizon did not receive any official or formal document from the FCC clarifying its requirement that direct assignment of plant be updated annually. However, Verizon did receive letters from the FCC stating that they disagreed with Verizon's direct assignment of DSLAM investment that increased the percentage of dollars categorized as COE 4.13 (please see Attachments 448c.2 and 448c.5).
2. Verizon's interpretation, per paragraph 22 of the FCC Freeze Order, is that there is no requirement to perform facility or circuit equipment investment studies to update direct assignments annually. Paragraph 22 states, "Part 36 requires some categories of costs to be further sub-divided into additional classifications, but does not refer to those further classifications as categories or subcategories. If we were to require carriers to continue subdividing costs into these classifications, carriers still would need to perform cost studies. Because a goal of the freeze is to reduce administrative burdens on carriers, we find that any Part 36 requirement to segregate costs recorded in Part 32 accounts into categories, subcategories, or further sub-classifications shall be frozen at their percentage relationship for the calendar year 2000." Paragraph 45 of the FCC Freeze Order further states, "We conclude, consistent with the Joint Board recommendation, that price cap carriers need not conduct separations studies to assign costs to the Part 36 categories." Verizon did make an interpretation that DSLAM circuit investment, which was identified at the Part 32 account level, could be direct

assigned to the COE 4.13 category. As highlighted in Response 1, the FCC disagreed with this interpretation.

3. See Response 2.

Prepared By: Duane Simmons

Date: November 1, 2004

Witness: TBD