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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UI 193

In the Matter of the Application of VERIZON)	
NORTHWEST, INC. for an Order Approving an)	ORDER
Asset Transfer Agreement with VERIZON)	
ADVANCED DATA INC.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND REPORTING REQUIREMENTS

On December 24, 2001, Verizon Northwest Inc. (Verizon) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 759.390 and OAR 860-027-0040, requesting approval to transfer assets with Verizon Advanced Data, Inc. (VADI), an affiliated interest.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on February 19, 2002, the Commission adopted Staff's recommendation with conditions. Staff's recommendation report is attached as Appendix A, and incorporated by reference.

OPINION

Jurisdiction

ORS 759.005 defines a "telecommunications utility" as anyone providing telecommunications service to the public in Oregon. The Company is a public utility subject to the Commission's jurisdiction.

Affiliation

An affiliated interest relationship exists under ORS 759.010(3).

Applicable Law

ORS 759.390 requires telecommunications utilities to seek approval of contracts with affiliated interests within 90 days after execution of the contract.

ORS 759.390(3) requires the Commission to approve the contract if the Commission finds that the contract is fair and reasonable and not contrary to the public interest. However, the Commission need not determine the reasonableness of all the financial aspects of the contract for ratemaking purposes. The Commission may reserve that issue for a subsequent proceeding.

CONCLUSIONS

1. The Company is a telecommunications utility subject to the jurisdiction of the Commission.
2. An affiliated interest relationship exists.
3. The agreement is fair, reasonable, and not contrary to the public interest.
4. The application should be granted, with certain conditions and reporting requirements.

ORDER

IT IS ORDERED that the application of Verizon Northwest, Inc., to enter into an affiliated interest transaction with Verizon Advanced Data Inc., is granted, subject to the conditions and reporting requirements, as further stated in Appendix A.

Made, entered, and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. 1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: FEBRUARY 19, 2002**

REGULAR **CONSENT** **EFFECTIVE DATE** _____

DATE: February 11, 2002

TO: John Savage through Marc Hellman and Rebecca Hathhorn

FROM: Tom Riordan

SUBJECT: VERIZON NORTHWEST, INC.: (Docket UI 193) Application for an order approving an asset transfer with Verizon Advanced Data, Inc. (VADI).

STAFF RECOMMENDATION:

The Commission should approve Verizon Northwest, Inc.'s (Verizon) Application for an asset transfer with Verizon Advanced Data, Inc. (VADI), an affiliated interest, and include the following conditions:

1. Verizon shall provide the Commission access to all books of account, as well as documents, data, and records of Verizon and VADI's affiliated interests that pertain to this transaction.
2. The Commission reserves the right to review for reasonableness all financial aspect of this transaction in any rate proceeding or alternative form of regulation.
3. Verizon shall notify the Commission in advance of any substantive changes to the agreement, including any material change in price. Any such change shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.
4. Verizon shall file, as soon as available, copies of the final journal entries recording the transaction.

DISCUSSION:

Verizon filed this application on December 24, 2001, pursuant to ORS 759.390 and OAR 860-027-0040. Verizon and VADI, are affiliated interests under ORS 759.010 (3), in that the voting securities of both are owned in a chain of successive ownership by Verizon Communications, Inc. Verizon requests authorization from the Commission for VADI to transfer certain intrastate assets to Verizon, at net book value. These assets, which consist of embedded assets (previously transferred from Verizon to VADI in 2000 as discussed below) and new assets (acquired by VADI) are needed for Verizon to provide current intrastate Advanced Data Services, including Frame Relay Service, Transport Lan Connect, Asynchronous Transfer Mode, and Multimedia Data Service.

Previously, on the Commission's regular agenda on November 21, 2000, the Commission in Docket UP 182, Order No. 00-790, approved the transfer of certain assets (embedded assets) from Verizon to VADI. The transfer was necessary to enable Verizon to meet one of the Merger Conditions set forth in the Federal Communications Commission's (FCC) June 16, 2000 approval of the merger of Bell Atlantic and GTE. The FCC required Advanced Data Services be provided through a separate subsidiary. Since then, the FCC has allowed Verizon to accelerate the reintegration of VADI back into Verizon. This repurchase of the VADI assets, used to provide Advanced Data Services, then enables Verizon to once again offer those services to its customers.

Verizon, in this filing, requests that the entire Intrastate Asset Transfer Agreement, (Agreement) pursuant to OAR 860-032-0070 be treated as confidential. However, the company later informed Staff that it was relying specifically on subsection (i), for cost and price information to be treated as confidential. Subsection (i) of this rule states that "bid, vendor, or contract information, including affiliated interest contracts, that contains specific cost and price information" are included in the types of information exempt from disclosure.

Staff reviewed this administrative rule and consulted with the Oregon Department of Justice (DOJ) to ascertain whether the information contained in the application qualified for confidential treatment under OAR 860-027-0070(I). The DOJ advises Staff that it concludes, after a review of the relevant components of the filing and upon a reasonable reading of the rule, that Verizon's request for confidential treatment of cost and price information contained in the Agreement is valid. Therefore, Staff has not included any cost and price information in this non-confidential memorandum, but will do so in its confidential memorandum regarding Verizon's affiliated interest filing.

After review of the filing, Staff concludes that the application is fair and reasonable and not contrary to the public interest.

PROPOSED COMMISSION MOTION:

Verizon Northwest, Inc.'s UI 193 application to enter into an affiliated interest transaction with Verizon Advanced Data, Inc., including the four recommended conditions stated in this memorandum be approved.