

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: JULY 1, 2003**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** \_\_\_\_\_

**DATE:** June 23, 2003

**TO:** John Savage through Marc Hellman and Rebecca Hathhorn

**FROM:** Marion Anderson

**SUBJECT:** VERIZON NORTHWEST INC.: (Docket No. UI 214) Application for Approval of an Agreement with Telesector Resources Group Inc. dba Verizon Services Group, an affiliated interest, for long distance telecommunications services.

**STAFF RECOMMENDATION:**

The Commission should approve this contract for long distance telecommunications services provided to Verizon Northwest Inc. by its non-regulated affiliate, Telesector Resources Group Inc. dba Verizon Services Group, with the following conditions:

1. Verizon Northwest Inc. shall provide the Commission access to all books of account, as well as all documents, data and records of Verizon Northwest Inc. and Telesector Resources Group Inc. dba Verizon Services Group Corporation that pertain to transactions between the two.
2. The Commission reserves the right to review for reasonableness all financial aspects of this arrangement in any rate proceeding or earnings review under an alternative form of regulation.
3. Verizon Northwest Inc. shall notify the Commission in advance of any substantive changes to the agreement, including any material changes in any cost. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein shall be submitted for approval in an application for a supplemental order (or other appropriate format) in this docket.

**DISCUSSION:**

On April 11, 2003, Verizon Northwest Inc. (Verizon) filed an application pursuant to ORS 757.390 for the provision of long distance telecommunications services by an affiliate, Telesector Resources Group Inc. dba Verizon Services Group (Telesector). Verizon and Telesector are wholly owned subsidiaries of Verizon Communications, Inc., which establishes the affiliated interest relationship under ORS 757.015. The execution date on the contract is March 24, 2003. The term of the agreement is three years and it is renewable. The total Oregon costs are projected to be \$180,000 annually (on an allocated basis, this is over the \$100,000 intrastate threshold) for the initial term of the agreement.

Telesector will supply intralata and interlata telecommunications services. A request for proposal procedure was used to award this contract. Verizon stated that the selection was based on parties meeting all RFP requirements and the most favorable price offered.

After reviewing the filing, Staff concludes that:

1. The contract contains no unusual or restrictive terms that would harm customers.
2. Verizon has met the requirements of the Commission's transfer pricing policy for affiliate transactions.
3. The Commission will have the necessary records access to Verizon's books and records.
4. The application involves an affiliated interest transaction that is fair and reasonable and not contrary to the public interest, with the inclusion of the proposed ordering conditions.

**PROPOSED COMMISSION MOTION:**

Verizon Northwest Inc.'s agreement for long distance telecommunications services with Verizon Network Funding Corporation be approved subject to the conditions stated in this memorandum, effective March 24, 2003.