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PROJECT NO. 32182

PUC INVESTIGATION OF METHODS §
TO IMPROVE ELECTRIC AND §
TELECOMMUNICATIONS §
INFRASTRUCTURE TO MINIMIZE §
LONG TERM OUTAGES AND §
RESTORATION COSTS ASSOCIATED §
WITH GULF COAST HURRICANES §

PUBLIC UTILITY
COMMISSION
OF TEXAS

2006 JUL 10 PM 2:56
PUC-UTILITY DIVISION

COMMENTS OF VERIZON SOUTHWEST

Verizon Southwest (Verizon) respectfully files these comments on the draft Staff Report ("Report") in the above-referenced project as issued on July 3, 2006.

The Report suffers from some fundamental concerns. First, the project has gone far beyond its initial mandate, which was protection of hurricane-threatened infrastructure. By recommending statewide measures of extraordinary cost and burden to utilities, and what may turn out to be extraordinary imposition on landowners, on wildlife, and on the trees of Texas, the latest draft continues to overstep its appropriate authority. As Verizon noted in its comments of June 23, 2006, this became evident at the workshop held on June 15, 2006, in which commentators were told that "public hearings" had been conducted on the matter; those hearings, of course, were held only in Beaumont, Houston and Corpus Christi, areas in the natural path of a Gulf Coast hurricane. Presumably, consumers, governments and industries in the rest of our state should have the opportunity to voice their concerns if they are to be as affected by this rulemaking as are those on the coast.

It is entirely possible that affected entities and individuals, when apprised of the actual scope of a matter entitled Investigation of Methods to Improve Electric and Telecommunications Infrastructure to Minimize Long Term Outages and Restoration Costs *Associated with Gulf Coast Hurricanes*, will challenge the process by which public participation was noticed and

solicited. In that respect, Verizon recommends that the final action of the Commission be confined to the coastal areas genuinely threatened by long-term outage associated with Gulf Coast hurricanes.

Second, the Draft Report remains utterly silent to three of the most important questions associated with any project: (1) how much will it cost; (2) how will those costs be funded or recovered; and, (3) is the benefit worth the burden? Verizon has raised this question at workshops and in two sets of comments, but the Draft Report suggests no other mechanism for cost recovery than “the existing rate case procedures.” It remains clear that there is no effective mechanism in place for telecommunications utilities (who cannot simply pass costs on to their customers) to fund the enormous costs associated with the recommendations, nor is there any empirical evidence that even suggests the presence of a problem necessitating such draconian measures to solve. Recommending changes to infrastructure in a cost-benefit vacuum serves no relevant purpose, and certainly does not advance the goal of greater network reliability in the hurricane-prone regions of our state.

As an example, the main body of the Executive Summary notes, “Staff recommends that the utilities report on the amount of pre-1977 facilities and to provide projections on the projected costs and tile required to upgrade these facilities to meet current National Electrical Safety Code (NESC) wind loading standards.” For Verizon to conduct such a study on its facilities would be extremely labor intensive necessitating a detailed manual review of all its outside plant records and, therefore, very costly. Verizon is aware of no evidence that such a study would yield any meaningful results and, indeed, as noted during the workshops, by far the vast majority of damage to the outside plant facilities was the direct result of flying debris and uprooted trees falling against cables. In addition, based on empirical data from the last series of

hurricanes, there is nothing that even suggests that facilities placed prior to 1977 and the standards used then had anything to do with downed facilities. As to age, the facilities are checked during the normal maintenance routines and during the addition of facilities to accommodate growth. Any facility deterioration is noted and if that deterioration is to the point where standards are not being met, that facility is replaced.

In the Conclusion section of the Report, Staff recommends that rulemaking proceedings be initiated on vegetation management programs of the utilities and on-going cyclical ground-based inspection programs of the utilities. On May 30, 2006 and again on June 23, 2006, Verizon commented on these recommendations and re-affirms its initial position. The cost to develop and implement such programs need to be addressed as does the blithe suggestion that “[t]he additional distribution operation and maintenance expenses will be recovered through the existing rate case procedures.” While this may work for the power utilities, Verizon is a Chapter 58 and Chapter 65 Company and as such is extremely limited on what it can do pursuant to “traditional rate making procedures.” Moreover, even if it *were* to receive authority to pass these costs along to its customers, a general rate-increase would have the likely economic effect of sending more customers to telecommunications sources that were not burdened by these regulations.

Put simply, the Commission genuinely needs to arrive at an understanding of how much a program like this is going to cost, and how it is going to be funded. While the project has encompassed a great deal of technical analysis, it has had very little practical inquiry into the costs and genuine benefits of its recommendations.

Verizon appreciates the opportunity to comment and remains available to work with Staff on this project.

Respectfully submitted,

VERIZON SOUTHWEST

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Comments of Verizon was hand-delivered to the General Counsel this 10th day of July 2006.

Emma R. Azarani