ORIGINAL

EX PARTE OR LATE FILED

STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

April 17, 2000

RECEIVED
APR 19 2000
FCC MAIL ROOM

Ms. Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington DC 20554

Re: CC Docket Nos. 96-262, 94-1, 96-45, and 99-249
Reply Comments Addressing the Modified CALLS Proposal

Dear Ms. Salas:

On March 8, 2000, the Coalition for Affordable Local and Long Distance Service (CALLS) submitted a modified access charge reform proposal (modified proposal) to the Federal Communications Commission (FCC). The modified proposal makes amendments to the prior CALLS proposed plan for interstate access charge and universal service reform. The Washington Utilities and Transportation Commission (Washington UTC) submits the following reply comments to the FCC for consideration when reviewing the modified proposal.

The Washington UTC has previously submitted comments[1] in this proceeding on November 12, 1999. Consistent with those comments, and the comments of others[2], the Washington UTC continues to have concerns about the modified proposal. These concerns include the insufficient level of Universal Service Funding, compliance with Section 254(k), and the need to make interstate access charges more compatible with market-based competition.

No. of Copies rec'd 0+2
List ABCDE

[1]The Washington UTC's November 12, 1999, Comments can be viewed at http://www.wutc.wa.gov/calls

[2]See especially, the April 3, 2000, comments made by Level 3, NASUCA, RICA, the State Members of USF Joint Board, U S WEST, and the other various state commissions.

In Washington state we have had significant experience in reforming access charges to make them more compatible with a market-based system. In fact, failure to sufficiently reform access charges will perpetuate economic barriers to entry and sustain a monopoly-based system, in direct contradiction to the goals of the Telecommunications Act of 1996 (Act). We have previously provided a copy of our "Terminating Access Charge" rule (see footnote 1). We include it again below, with specific revisions that would enable its use for interstate purposes. This simple rule may very well be the paradigm shift that is needed to cure the symptoms that CALLS would only temporarily medicate.

The FCC already has the authority and the mechanisms in place to administer a separate Universal Service Fund. Consequently, we have stricken references to universal service in the Washington state rule which would not be necessary for a federal rule. Universal service support should be determined separately based on cost and benchmark considerations, and consistency with the Act.[3] The total level of current universal service support must be preserved during this transition from implicit to explicit funding mechanisms, including access reform. To the extent more explicit universal service support is provided to a company, the FCC and/or state commissions can and should require offsetting reductions from current implicit support sources, in this case interstate access charges.

The following is the Washington UTC's "Terminating Access Charge" rule, modified for the FCC's use in the interstate jurisdiction:

> **Terminating access charges.** (1) The rates charged by a local exchange company for terminating access shall not exceed the lowest rate charged by the local exchange company for the comparable local interconnection service (in each exchange), such as end office switching or tandem switching. If a local exchange company does not provide local interconnection service (or does so under a bill and keep arrangement), the rates charged for terminating access shall not exceed the cost of the terminating access service being provided.

---

[3]Level 3 Communications, LLC ("Level 3") at pages 5 and 6 of its April 3, 2000, comments provide an excellent explanation of why the CALLS proposal(s) fail with concern to the quantification of universal service.

(2) The cost of the terminating access shall be determined based on the total service long-run incremental cost of terminating access service plus a reasonable contribution to common or overhead costs. Local loop costs are considered "shared" or "joint" costs and shall not be included in the cost of terminating access. However, nothing in this rule prohibits recovery of local loop costs through originating access charges (including switched, special, and dedicated as defined in subsection (4)(a) of this section).

(3) Definitions.

(a) "Access charge" means a rate charged by a local exchange carrier to an interexchange carrier for the origination, transport, or termination of a call to or from a customer of the local exchange carrier. Such origination, transport, and termination may be accomplished either through switched access service or through special or dedicated access service.

(b) "Terminating access service" includes transport only to the extent that the transport service is bundled to the end office or tandem switching service. Dedicated transport unbundled from switching services is not subject to subsection (1) of this section.

(c) "Bill and keep" (also known as "mutual traffic exchange" or "payment in kind") is a compensation mechanism where traffic is exchanged among companies on a reciprocal basis. Each company terminates the traffic originating from other companies in exchange for the right to terminate its traffic on that company's network.

(4) The requirement of subsection (1) of this section that any terminating rate be based on cost shall not apply to any local exchange company that is a small business, or to any local exchange company that is competitively classified, if it concurs in the terminating rate of any local exchange company that has filed a terminating rate that complies with the requirements of subsection (1) of this section. For the purposes of this subsection, "small business" has the same meaning as it does in RCW 19.85.020.

(5) Any local exchange company that is required to lower its terminating access rates to comply with this rule may file tariffs or price lists (as appropriate) to increase or restructure its originating access charges. The commission will approve the revision as long as it is consistent with this rule, in the public interest and the net effect is not an increase in revenues. Subscriber Line Charges (SLCs) or End-User Common Line Charges (EUCLs) are not "Access Charges" as defined above, and as such may not be increased unless reviewed and approved by the respective state commission for each study area. The FCC delegates jurisdictional authority and responsibility to the state commissions for these end user charges. States may adjust jurisdictional separations (Part 36) results in order to accomplish any such review.

This revision of Washington's "Terminating Access Charge" rule, and adoption by the FCC, would permit interstate access charges to become more flexible and compatible with market-based competition. It would do so by imposing access charge reform on the carriers that use the service, and by protecting captive customers of incumbent local exchange carriers that have not yet been classified as non-dominant or subject to effective price-constraining competition. The parity between terminating access charges and local interconnection will further non-discrimination policy. The flexibility to raise or restructure originating access charges (exclusive of end-user charges) will take advantage of market-based discipline on pricing similar to that in the highly competitive interexchange market. The FCC can then focus its attention back on Universal Service issues including the sufficient, comparable, and reasonable level of funding necessary to comply with Section 254(k) of the Act.

Thank you for your consideration of our comments and replies in this proceeding.

Sincerely,

Marilyn Showalter, Chairwoman
Washington Utilities and Transportation Commission

William R. Gillis, Commissioner
Washington Utilities and Transportation Commission

Richard Hemstad, Commissioner
Washington Utilities and Transportation Commission

cc: FCC Commissioners and Larry Strickling
Filed electronically and cc: via e-mail on 4/17/2000