

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

**COMMENTS OF VERIZON NORTHWEST INC.
Docket No. UT-031558**

Verizon Northwest Inc. (“Verizon ”) files these comments in connection with the Petition of Sprint for Designation as an Eligible Telecommunications Carrier in Washington filed on September 26, 2003.

Verizon urges the Washington Utilities and Transportation Commission (“Commission”) to defer any action on Sprint’s petition until the FCC resolves certain ETC eligibility and Universal Service Fund issues raised in the Joint Board Proceeding.¹ Verizon believes the issues will be resolved at the federal level within the next 6 months. To defer a decision for this short period of time will not have a material effect on Washington consumers.

DISCUSSION

In November 2002, the FCC requested that the Joint Board review and make recommendations on the FCC’s rules relating to the High Cost Support Mechanism in study areas being served by competitive ETCs. FCC Order Regarding Joint Board, at ¶ 1. Two general areas being addressed by the Joint Board are particularly relevant to Sprint’s petition.

First, the Joint Board is considering guidelines for determining whether, and under what circumstances, designation of an ETC is consistent with the public interest, convenience, and necessity. Among other things, the Joint Board is supposed to address “the system for resolving

¹ See *Federal-State Joint Board on Universal Service Seeks Comment on Certain of the Commission’s Rules Relating to High-Cost Universal Service Support and ETC Designation Process*, Public Notice, CC Docket No. 96-45 (“Joint Board Proceeding”) (rel. Feb. 7, 2003); *In re Federal-State Joint Board on Universal Service*, Order, 17 FCC Rcd 22642 (rel. Nov. 8, 2002) (“FCC Order Regarding Joint Board”).

requests for ETC designations under section 214(e)(2)” of the Communications Act of 1934, as amended in 1996, and consider whether it is advisable to establish federal processing guidelines for ETC applications. FCC Order Regarding Joint Board, at ¶ 10. Any decision by the Joint Board regarding the criteria used to determine whether to grant an ETC request will be directly relevant for the Commission in this docket.

Second, the Joint Board is undertaking a review of certain portability and Universal Service Fund (“USF”) funding issues. *See, e.g.*, Joint Board Proceeding, at ¶ 33; FCC Order Regarding Joint Board, at ¶¶ 1, 6, & 10. For example, the Joint Board is considering whether the FCC should limit “high-cost support” (including CALLS-related interstate access support) to only one ETC per customer. As a prerequisite for receiving federal universal-service support, a telecommunications carrier in Washington must be certified as an ETC by the Commission. 47 U.S.C. §§ 214(e)(2); 47 C.F.R. § 54.201. A qualified ETC is eligible to receive support from the USF – which provides funding, *inter alia*, for CALLS-related interstate access support – to the extent that it “captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC’s service area.” 47 C.F.R. § 54.307(a). Because Washington is one of the states entitled to such support for certain carriers, a telecommunications carrier certified as a competitive ETC in an area served by a company that receives CALLS-related interstate access support will receive that per-line support among other USF funding.

Of central importance to Sprint’s petition is the interstate access support component of the High Cost Support Mechanism, which was designed to help offset interstate access charge reductions by price cap companies. Unlike other portions of the High Cost Support Mechanism, interstate access support was established by the FCC’s CALLS Order to remove the implicit

subsidies for interstate loop costs in areas that had been built into the access charge regime for federal price-cap companies. CALLS Order, ¶¶ 1-35. Ultimately, the CALLS Order reformed this system of implicit subsidies and moved to a system where loop costs are recovered by a single charge (the subscriber line charge) plus \$650 million annually in explicit universal support. CALLS Order, at ¶¶ 31-32.

Unlike most other components of the High Cost Support Mechanism, CALLS support is capped. CALLS Order, ¶ 201. The \$650 million per year established for CALLS-based interstate access support was targeted to replace “a specific amount of access charges” that previously had been used as implicit support to interstate loop costs. CALLS Order, at ¶ 185. The FCC capped this support at \$650 million per year based upon the assumption that it was “a reasonable estimate of the amount of universal service support that currently is in our interstate access charge regime.” CALLS Order, at ¶ 202. The FCC’s finding that the then-current \$650 million per year funding level would be “sufficient” for five years reflected an assumption that the levels of support necessary for interstate loop costs would remain relatively constant. In summary, CALLS-based interstate access support was designed to compensate LECs for interstate portions of the loop costs. Therefore, when a competitive ETC receives CALLS support, support for interstate loop costs is reduced. The Joint Board is investigating this important issue, too, and therefore this Commission should defer action in this docket until the Joint Board completes its investigation.