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March 2, 2005

By E-Mail and Federal Express

Ms. Carole J. Washburn
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504

Re: Docket No. UT-040788; Proposed Settlement of Verizon Rate Case

Dear Ms. Washburn:

XO Washington, Inc. (“XO”) and Time Warner Telecom of Washington, LLC (“TWTC”) are parties to the above-referenced proceeding, but they are not parties to the proposed Settlement Agreement filed with the Commission on February 23, 2005 (“Settlement Agreement”). XO and TWTC provide this letter in response to that filing.

XO and TWTC remain concerned about the availability of high capacity unbundled network elements (“UNEs”) at cost-based rates, as described in the prefiled testimony of Rex Knowles. XO and TWTC continue to advocate that the Commission exercise greater control over the development of effective local exchange competition in Washington by establishing cost-based rates for DS1 and DS3 intrastate special access services that Verizon Northwest Inc. (“Verizon”) offers to competing local service providers. Indeed, Commission Staff expressed similar concerns in its prefiled testimony and made the same proposal.

XO and TWTC disagree with the Settlement Agreement’s failure to address these issues. XO and TWTC intervened in this proceeding because of their interest in Verizon’s intrastate special access rates, and through testimony filed on behalf of XO and Commission Staff, appropriate rates for these services were squarely presented for resolution in this docket. Other than preserving the Commission’s ability to consider these rates in a future proceeding, the Settlement Agreement improperly does not even acknowledge, much less resolve, XO’s and TWTC’s issues. The Commission has approved settlement agreements in the recent past from which

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some parties were excluded, but XO and TWTC continue to maintain that such settlement agreements are not in the public interest.

Despite their disagreement with the Settlement Agreement, however, XO and TWTC recognize that there are many competing interests at stake in this proceeding. Accordingly, in light of the Commission's recent willingness to approve non-unanimous settlement agreements and because the Settlement Agreement expressly does not preclude the Commission from undertaking a future proceeding to address concerns with Verizon's special access prices in light of the uncertainty surrounding federal unbundling requirements for high capacity circuits, XO and TWTC will not oppose the Settlement Agreement.

Please contact me if you have any questions about XO's and TWTC's position in this proceeding.

Very truly yours,

Davis Wright Tremaine LLP

Gregory J. Kopta

cc: Rex Knowles
Brian Thomas
Service List