



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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November 29, 2010

The Honorable John McCoy
Washington State House of Representatives
132A Legislative Building
Post Office Box 40600
Olympia, Washington 98504-0600

The Honorable Larry Crouse
Washington State House of Representatives
425A Legislative Building
Post Office Box 40600
Olympia, Washington 98504-0600

The Honorable Phil Rockefeller
Washington State Senate
218 John A. Cherberg Building
Post Office Box 40423
Olympia, Washington 98504-0423

The Honorable Jim Honeyford
Washington State Senate
107 Irv Newhouse Building
Post Office Box 40415
Olympia, Washington 98504-0415

The Honorable Jim Kastama
Washington State Senate
235 John A. Cherberg Building
Post Office Box 40425
Olympia, Washington 98504-0425

The Honorable Joseph Zarelli
Washington State Senate
204 Irv Newhouse Building
Post Office Box 40418
Olympia, Washington 98504-0418

Re: Report on Universal Service

Dear Legislators:

On behalf of the Utilities and Transportation Commission, I am pleased to provide the enclosed report on the outcome of our recent inquiry into state universal service policies and related matters (Docket UT-100562). We initiated our inquiry after we received your letter of March 2, 2010, encouraging the Commission to continue the ongoing dialogue with the Washington Independent Telecommunications Association (WITA) and others regarding universal service issues in our state. As explained in the attached report, our effort included a series of workshops, presentations by interested parties, and three rounds of written comments. Along with WITA and its members, participation included representatives of long distance carriers, competitive local exchange carriers, wireless carriers, cable and internet providers, Commission Staff, and the Public Counsel Section of the Office of Attorney General.

Our inquiry delved into a number of issues regarding state universal service policy. However, as may be reasonably expected, the primary focus of the proceeding surrounded the need and

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potential structure of a state universal service fund. During the course of our examination, there were wide ranging views and disagreement regarding potential outcomes for our examination. Those who would benefit directly from the establishment of a state universal service fund were vigorous in their contentions regarding the need to do something now in light of significant market forces affecting their traditional business models. Those parties who would not benefit directly, or could otherwise be required to contribute to a state fund, were equally spirited in voicing their opposition to the need for a fund at this time. Our recommendations reflect our best assessment based on the input received, our extensive experience with the companies subject to our jurisdiction, and the current state of federal and state law regarding universal service.

Our report contains four sections that provide an executive summary and policy recommendations from the Commission as a consequence of our examination, an overview of existing federal and state policy regarding universal service, a discussion of potential policy options, and an overview of the Commission's workshop and inquiry process. Finally, section 4 provides the Commission's analysis and recommendations. We also include various appendices that include a specific universal service concept paper advanced by WITA and comments from interested parties on that proposal.

Over the next few weeks we intend to schedule meetings with each of you and your staff to discuss our report. We look forward to continued discussion regarding these matters.

Sincerely,

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Chairman
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jgoltz@utc.wa.gov

cc: Kara Durbin, Counsel, House Technology, Energy and Communications Committee
William Bridges, Counsel, Senate Environment, Water and Energy Committee
Jack Brummel, Coordinator/Counsel, Senate Economic Development, Trade and
Innovation Committee