BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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Commission Review of Toll Carrier	)	Docket No. UT-991573
Obligations	)	

JOINT COMMENTS OF MCI WORLDCOM AND AT&T

MCI WorldCom, Inc. and AT&T Communications of the Pacific Northwest, Inc. ("the Companies") appreciate the opportunity to submit their comments in this matter. The Washington Utilities and Transportation Commission ("Commission") is asking carriers whether regulation is necessary to preserve intraLATA toll for customers of independent local exchange companies in light of U S WEST's pending exit from that market in several exchanges. The Companies address the specific issues on which the Commission is seeking comment as follows:

1. Whether consumers in any area of the state currently do not have a reasonable choice of intrastate long-distance providers offering service at affordable rates that are comparable to those charged in other areas, especially urban areas, of the state.

The Companies are both intraLATA and interLATA carriers in the state of Washington, serving all exchanges in the state and providing geographically averaged rates. There are many registered carriers in the state of Washington, with authorization to provide toll services statewide. As a result of market forces, customers in all areas of the state have reasonable choices of providers offering services at affordable rates.

2. Whether consumers in any area of the state currently do not have access to calling plans and promotions that long-distance carriers offer to consumers in other areas of the state.

As stated above, the Companies offer their basic schedules and key calling plans in all exchanges. Promotions are offered to test markets, and therefore, are often marketed in urban areas such as the Seattle metropolitan area. Generally, the availability of calling plans and promotions is based upon the particular requirements of the plan or promotion and the local exchange carriers' abilities to timely meet plan or promotion criteria within reasonable costs. Promotional plans may not be offered to customers served by certain local exchange companies for some or all of the following reasons:

the local exchange company cannot implement the offering in its billing system or network in sufficient time;
the cost to implement the offering through the local exchange company is too high; and
the billing requirements are not in place within the local exchange companies' or the Companies' systems.

3. Whether it is likely that, in the absence of an obligation to serve imposed by regulators, long-distance providers will:

a. withdraw from providing intrastate toll service in any area of the state,
b. increase the rates for such service above those charged in other areas of the state, or
c. not offer calling plans or promotions available in other areas of the state.

It is not necessary to impose regulation in the form of an obligation to serve on carriers. The Commission has determined that the toll market is competitive, and to the Companies' knowledge, no toll carrier has requested to serve only selected areas of the state. The Companies have no present intention to withdraw from providing intrastate toll service in any area currently served. The competitive marketplace will continue to determine the availability and affordability of services.

Currently a variety of long distance competitors have made their services available throughout the state in the absence of an obligation to do so. Competition will be enhanced by not placing a barrier to exit into the regulatory regime. Freedom to enter <u>and</u> exit are necessary for a competitive market. Neither is any additional regulatory oversight required to ensure that intrastate toll rates remain comparable in different areas of the state. Washington law currently requires the Companies to charge geographically averaged rates.

4. Whether any of the following factors relating to the provision of access and billing services by local exchange companies are (or are likely in the future to be) an impediment to provision of intrastate service at reasonable prices within any area of the state. If so, please identify specific geographic areas or specific local exchange companies:

- **a. Intrastate originating access charges;**
- **b. Intrastate terminating access charges, including universal service charges;**
- **c. Intrastate billing and collection charges;**
- **d. Non-recurring charges and/or provisions for ordering access services.**

Intrastate switched access priced above its forward-looking economic cost serves and will continue to serve as an impediment to provisioning toll service within any area of the state of Washington. No interexchange carrier ("IXC") should be required to provide toll service to any service area considering the economic barriers erected by any one of the twenty-some incumbent local exchange companies ("ILECs"), all of which price switched access well above its forward-looking economic cost.[1] IXCs are competitive firms that do not receive any subsidies - unlike ILECs - and so obligating competitive firms to serve may discourage entry into intrastate toll markets. The underlying costs (especially access) of serving a particular toll market will undoubtedly be a factor in a carrier's willingness (or unwillingness) to serve a particular market. The Companies' position is simple, fair and in the best interests of Washington consumers, and that is it should be incumbent upon the local exchange companies to properly price their intrastate access services in order to ensure that competitive carriers are properly incented to serve all local exchange company territories. In other words, competitive carriers should be given the freedom to enter and/or exit the toll market in Washington as their respective business plans dictate.

The Commission is well aware that the access service rates of all local exchange companies are not equal. This disparity in pricing simply cannot be ignored when considering a carrier's obligation to provide toll service.

Some companies may argue that to allow toll carriers to choose when and where to serve toll service constitutes *de facto* deaveraging of intrastate toll charges. This argument though is inconsistent with the state of Washington's policy to promote competitive markets. Toll dialing parity was supposed to increase competition, yet irreversible competition does not exist in all toll markets due to the stifling barriers erected by ILEC's pricing of switched access. Those companies which might advocate requirements to serve are essentially proposing yet another barrier to competition by mandating more rigid universal toll service requirements than currently exist.

[1] Attachment A depicts which companies serve which areas in Washington.

The Companies urge the Commission to require ILECs to remove the implicit subsidies from intrastate switched access, and price their switched access at forward-looking economic cost. Without switched access priced at forward-looking economic cost, robust and irreversible competition will not emerge - especially considering the switched access prices charged by most ILECs in Washington.

5. Whether the practice of charging the same rates for toll services in all areas of the state causes long-distance providers to limit their service to areas of the state where costs are lower due to lower access charges, greater customer density, higher calling volumes, or other reasons.

Please see the Companies' responses to issues 2 and 3.

6. Whether any aspect of the process for designating 1-plus intraLATA and interLATA carriers affects the likelihood that long-distance carriers would choose not to offer service in any areas of the state.

It is not clear if this request refers to the end users' process for designating 1-plus intraLATA and interLATA carriers, the opportunity to appear on the ballot, or a proposed process for designating a carrier of last resort. However, the Companies are not aware of any aspect of existing processes for designating toll carriers that affects the likelihood that a toll carrier would choose not to offer service in any areas of the state.

7. Whether any or all of the following provisions are necessary to protect the public interest. Please state whether the provision would be effective in ensuring access to toll service at affordable prices and whether it would be an unreasonable burden to any customer, any local exchange company, or any long-distance company, and state facts or reasons supporting your conclusions.

a. A requirement that any carrier offering originating interLATA service in an exchange also offer originating intraLATA service in that same exchange.

b. A requirement that any carrier over some minimum size offer originating interLATA and intraLATA service in every exchange in the state and, if so, what minimum size is appropriate.

c. A requirement that any long-distance provider give six months' notice

(or some other period) to customers, the local exchange company, and/or the Commission before ceasing to offer service in any exchange.

d. A requirement that any long-distance provider petition the Commission for approval before ceasing to offer service in any exchange.

e. A "market failure safety net" mechanism by which:

i. The Commission could, on either an interim or permanent basis, order one or more long-distance companies to offer service in a particular exchange if it determines that customers in that particular exchange do not have reasonable choices; and

ii. The Commission could, for the duration of such an order, require that the local exchange company reduce its access charges.

The marketplace should continue to control the provision of toll services, and no additional regulation of competitive services and competitive providers is necessary to protect the public interest. The public interest is sufficiently protected by existing rules. The number of carriers offering service in the state, and the highly competitive toll market, combine to offer customers in all areas choices of carriers and affordable services. If these circumstances change, the question of the necessity for additional regulation can be revisited.

8. Whether, taking all interests and factors into consideration, there is a need at this time for the Commission to consider rules on this subject.

The Companies do not believe that there is a need at this time to consider placing greater regulatory restrictions in a competitive market. The marketplace will provide adequate protection to customers through competition if and when Washington ILECs remove the barriers to competition, such as pricing switched access above its forward looking economic cost. Thus, the Companies recommend that the proper course of action for the Commission to take to ensure that long distance consumers receive fair rates throughout the state is for the Commission to review access rates. The Companies look forward to participating in any workshops and opportunities for comments in the future.

Respectfully submitted the ___ day of November, 1999.

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