BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

UT-971140

In the Matter of the Commission's)
Inquiry Regarding WECA's)
Revised Access Plan)
a/k/a "WCAP")

Comments of Sprint

Sprint Corporation, on behalf of United Telephone Company of the Northwest and Sprint Communications Company, L.P. (collectively, "Sprint") hereby submits the following comments in response to the Commission's May 15, 2000, Notice of Opportunity to File Written Comments concerning WECA's Revised Access Plan (a/k/a "WCAP").

The Plan Should Cap WECA's CCL and USF Rates

The September 23, 1999 Report and Settlement Agreement signed by Mary Tennyson and Richard Finnigan describes a price cap for WECA rates. On Page 5, the report states:

All parties recommend that the annual WECA filings be discontinued. Except for the specific adjustment described below, the WECA rates should be kept at their current level. We recommend that the Commission no longer require annual industry filings of the type established in the U-85-23 Orders. While the process had value in the years following the divestiture of AT&T, it is no longer optimal or even necessary to establish annual access charge reviews based on a fixed formula. Filings in the future, if any, should be based upon factors specific to individual companies.

Additionally, on Page 6 the parties state:

It is contemplated that this filing will put into place the mechanisms to govern WECA's activities in the future, and it is not intended that those mechanisms are to be adjusted or reviewed on an annual basis.

Also, on page 7 the parties state, "WECA rates remain at their current level . . .".
In marked contrast to the stated intentions of this arrangement, the plan currently before the Commission never affirmatively states that interim USF and CCL rates are to remain fixed. In fact the new plan allows individual companies the opportunity to petition the WUTC to increase WECA rates for "revenue objective" adjustments (see Part VI.21). Certainly this change in direction defeats the purpose of a price cap and the spirit of the settlement agreement.
Section IV. 12 addresses the situation of a participating LEC adding new territory not previously included in the pool. Again, this provision violates the price cap concept. If the WUTC decides to make an exception to the price cap for this situation, then the plan should address how the additional revenue objective is to be calculated. The plan should also address the appropriate treatment in the event that the additional territory is due to competitive inroads into another provider's territory (whether that provider is a participant or not). In the past, such costs have been excluded; however, that policy seems to conflict with the federal policy of USF portability. Under the existing state policy, the LEC that lost high cost customers could continue to receive USF, while the new provider receives none. In any event, if an adjustment is approved by the Commission, then a filing should be made quickly, and the distribution ratio should change concurrent with the effective date of the new rates, and not before. Distribution changes between filings amount to a zero sum game. Other pool participants should not be penalized due to the action of one participant, especially if the adjustments have not been approved by the

Commission, but are purely speculative.

Exit and Entry Should Not Be Constrained

Part IV.8 seems to indicate that a carrier may only enter and exit WECA pools once a year, with rates effective July 1. Sprint proposes that entry or exit notification should be given on 60 days notice. In the case of a provider exiting the pool, the rate should decrease. Customers, whether IXCs, or ultimately end users, should see the benefit of rate reductions immediately without having to wait several months or a year. A 60 day window would give WECA sufficient time to prepare a compliance filing. In order to ensure that revenues are allocated to companies fairly, distribution ratios should change coincident with filings.

Part IV. 9 states that the traditional USF rate should be closed to new participants and frozen at $.00152. Sprint believes that the Commission may wish to preserve its option to combine the interim and traditional USFs at some point, and may also wish to open the pool to other participants, such as GTE, US WEST, and United. United might be interested in pooling its interim USF as long as the CCL and USF pools were managed independently, and the distribution ratios were changed coincident with filings, rather than at the board's discretion. The replacement of separate interim USF rate elements would not violate the concept of a price cap providing it was handled in a revenue-neutral manner. Managing each pool separately would give ILECs the greatest ability to manage risk in deciding whether to participate in any or all of the pools. For instance, a LEC may perceive that there is less risk associated with pool performance on the traditional USF since that rate is assessed on statewide access minutes compared to the risk associated with the CCL pool, which is assessed on each of the participant's access minutes. If the Commission adopts Sprint's proposal, then Part II.2 on page 1 should be modified to delete the sentence: "For ease of administration, revenues received from the Interim USF and the CCL may be combined and treated as one pool." Likewise, Part V. 18 on page 4 should be modified to remove the word "combined" in the first sentence. Part II.4 on page 2 should be deleted.

Sprint believes that a pool member should have the flexibility to reduce its reliance on the traditional USF by either reducing, or eliminating its revenue objective (and revenue draw) and exiting the pool. For instance, as a result of a rate case, an earnings review, or a new cost study, a company might either restructure its rates or compute a lower revenue requirement for universal service funds. Similarly, it is possible that a company may find it no longer needs any universal service funding. If the Commission approves the company's rate rebalancing or calculation of reduced revenue requirement, then the pool rate and distribution ratios should be reduced accordingly. In contrast, the plan seems to contemplate exit and a redistribution of revenues among participants (see 14 and 23), but states that the traditional USF rate will remain frozen (see 9). There is no reason why IXC's should continue to pay for costs that no longer exist. Likewise, neither carriers nor consumers should pay twice for the same costs in the event that a participant exits the pools and then recovers its costs through another rate element.

Summary

Sprint recommends that the Commission follow the spirit of the Settlement Agreement and cap WECA's CCL, interim, and traditional USF rates; however, the cap should not constrain entry by new participants as long as rate adjustments are made on a revenue-neutral basis. Sprint recommends against closing the traditional pool so that the Commission can preserve its option of collapsing the interim and traditional USF and allowing other LECs to participate in the pool at their option. Each of the three pools should be managed separately, rather than tying participation in the Interim USF pool to participation in the CCL pool. In order for the pooling mechanism to be fair, distribution ratios should be changed concurrent with the effective date of filings, and companies should not have to wait a year to enter or exit the pool, or to make rate adjustments, to the extent adjustments are permitted. If a pool entrant exits any of the funds, including the traditional USF fund, then rates should be reduced promptly. Any reduction in revenue objective for a participant that arises out of a Commission order, or an approved rate rebalancing, should likewise result in a pool rate reduction.

Respectfully submitted this 7th day of June, 2000 by

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SPRINT CORPORATION