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May 5, 2014

**VIA ELECTRONIC FILING**

Mr. Steven V. King  
Secretary and Executive Director  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P. O. Box 47250  
Olympia, WA 98504-7250

**Re: Frontier Communications Northwest Inc. Comments on Proposed Rulemaking in  
Docket Nos. UT-131239 and 971140**

Dear Mr. King:

Enclosed for filing are comments from Frontier Communications Northwest Inc. regarding the Rulemaking related to the new State Universal Program and more specifically, the proposed termination of the traditional Universal Service Fund access rate element. Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Carl Gipson", with a long horizontal line extending to the right.

Carl Gipson  
Manager, Government and External Affairs  
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Attachments

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

In the Matter of

Rulemaking to consider amending and adopting rules in WAC 480-120, telephone companies, and WAC 480-123, universal service, to implement legislation establishing a state universal communications service program.

.....  
Washington Utilities and Transportation  
Commission,

Complainant,

vs.

Washington Exchange Carrier Association, et  
al.,

Respondent.

Docket No. UT-131239

Docket No. UT-971140

**COMMENTS IN RESPONSE TO THE  
APRIL 4, 2014, NOTICE OF OPPORTUNITY  
TO FILE WRITTEN COMMENTS**

**May 5, 2014**

## INTRODUCTION

Frontier Communications NW is submitting these comments in response to the Commission's April 4, 2014, Notice of Opportunity to Comment and Notice of Hearing in Docket Nos. UT-131239 and UT-971140 ("Notice"). The Notice seeks comments on the Commission's proposal to terminate the Traditional Universal Service Fund ("TUSF")<sup>1</sup> in concurrence with the implementation of the new State USF Program on July 1, 2014.<sup>2</sup>

## COMMENTS

The TUSF has long been thought of as a necessary, yet temporary, stopgap for the purpose of buttressing against the impact of the reduction of access charges.<sup>3</sup> However, due to the emergence of a competitive telecommunications marketplace, both federal and state regulators are moving away from monopoly rate regulation (which includes cost recovery mechanisms such as access charges) and more towards true marketplace pricing.<sup>4</sup>

The legislature, in passing 2E2SHB 1971 in 2013 finally issued the long-awaited decision that industry stakeholders, the Commission and policymakers have been waiting for regarding implementation of a revised state USF program.<sup>5</sup>

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<sup>1</sup> The traditional universal service fund was created by the 17th and 18th Supplemental Orders in Cause U-85-23 et. al. and subsequently reaffirmed in Docket UT-971140 and confirmed in Docket UT-120853

<sup>2</sup> 2013, 2<sup>nd</sup> sp.s. c 8 § 201 *et seq.*

<sup>3</sup> See Section B. *Weakening Revenue Streams*, in "Report Reviewing State Telecommunications Policies on Universal Service," Washington Transportation and Utilities Commission, Docket No. UT-100562, page 15, November 29, 2010, specifically, "...access revenues are declining as minutes, and the corresponding revenues associated with them, are shifted to other carriers and technological platforms."

<sup>4</sup> See "Introduction" in Order 06 in Docket No. UT-121994 for the progression of the Washington telecommunications marketplace from a monopoly to a competitive environment; *Frontier Communications Northwest Inc. To be Regulated as a Competitive Telecommunications Company Pursuant to RCW 80.36.320*.

<sup>5</sup> The relevant RCWs addressing a state USF were enacted in the late 1990s.

Now that the rules being promulgated for implementation of a state universal services program are in their final stages of development, Frontier believes the time has come to eliminate the TUSF access rate element.

The “traditional” state USF rate element is no longer necessary due to the legislature’s actions in 2013, which appropriates \$5 million from the general-fund and will in all likelihood replace the pooled revenues generated by the “traditional” rate element.<sup>6</sup>

Also, the “traditional” USF program was supposed to be conditional<sup>7</sup> and the passage of 2E2SHB1971 and the Commission’s subsequent rulemaking in Docket No. UT-131239 provides opportune timing to replace one USF mechanism with a more appropriate one.

### **CONCLUSION**

Frontier Communications Northwest Inc. appreciates the opportunity to comment on the proceeding and urges the Commission to terminate the Traditional USF mechanism coincident with the implementation date of the new State USF.

Respectfully submitted this 5th day of May, 2014.

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<sup>6</sup> See December 20, 2013 comments of WITA, “Part of the lobbying support for the Legislation was to use it, in part, to replace the existing traditional universal service fund.” Page 12.

<sup>7</sup> See April 4, 2014 Commission “Notice” for language citing the Washington Exchange Carrier Association’s Washington Carrier Access Plan.