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VIA ELECTRONIC FILING

Mr. Steven V. King, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, Washington 98504-7250

Re: Washington Utilities and Transportation Commission v. Washington Exchange Carrier Association, et.al., Docket UT-971140

Dear Mr. King:

By the Notice of Opportunity to Comment dated April 4, 2014, the Washington Utilities and Transportation Commission ("Commission") has offered the opportunity for interested persons and parties to comment on the Commission's proposal to terminate the traditional universal service fund access rate element ("Traditional USF"). The proposal is to terminate this program on June 30, 2014. In response to the Notice of Opportunity to Comment, the Washington Exchange Carrier Association ("WECA") files the following comments.

In the Ninth Supplemental Order in the above-referenced docket, the Commission approved a negotiated plan entitled the Washington Carrier Access Plan. That plan was negotiated among the parties to that docket, including Commission Staff. The plan covered WECA's operations in the administration of three pools. The first of these pools is the Traditional USF, which was actually created in Docket U-85-23.

The second pool was the Interim USF pool that included the interim terminating universal service access rate element (sometimes called "ITAC") which was applied to the terminating carrier common line ("CCL") access minutes of the pooling companies. The third pool is the originating CCL pool.

Since that time, the Interim USF pool has been terminated due to actions by the Federal

Communications Commission in the Transformation Order.[1] Of the two pools that remain, the Traditional USF pool is by far the larger of the two pools. When the Traditional USF pool goes away, it is highly likely that the originating CCL pool will also be terminated because the cost of pooling that fund on a stand-alone basis may not make financial sense.

All of these actions come together to create two problems that WECA wants to bring to the Commission's attention. WECA has no objection to the termination of the Traditional USF. However, the problems that are created should be addressed.

The first of the issues is a cash flow problem. With the termination of the Traditional USF effective at the end of the day of June 30, 2014, and the proposal not to fund the new universal communications service program until January of 2015, there is a potential for a substantial cash flow problem for WECA's members.

The way that WECA pooling works is that the monies that are remitted to WECA for the Traditional USF in June of 2014 will be distributed to the companies by the end of July, 2014. This means that there would be five month lag between the termination of the existing Traditional USF pool and January, 2015, where funds are not flowing to the companies. This also means that it may become very difficult for some companies to meet their ongoing obligations. As the Commission is aware, the financial condition of many of the WECA members is limited, to say the least.

A delay in cash flow, even if the funds are ultimately available in January of 2015, could pose serious financial concerns for some companies. WECA understand that the Washington Independent Telecommunications Association will be proposing an interim funding step, with some funds for the new universal communications service program related to the Traditional USF being distributed in October, 2014. WECA believes that such a step, if adopted by the Commission, would substantially alleviate the cash flow issue.

The second issue that is created by the termination of the traditional universal service access rate element on June 30, 2014, is how to fund the wrap-up of remaining WECA activities related to that program. It should be remembered that it is likely that the originating CCL pool, approved by Commission Order, will also be terminated. However, even if it were not to be terminated, the actions to wrap-up the Traditional USF pool are still required to be undertaken.

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[1] *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun,* WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

There is a substantial amount of work that must be done after pooling activity stops to complete WECA's responsibilities related to those Commission-approved programs. Both programs (originating CCL pool and Traditional Universal Service access rate element pool) are operated under a series of contracts that have been approved by the Commission. Under the terms of those contracts, there is true-up activity and reporting to members that must be done. There are also reports that must be filed with the Commission related to the activities of those pools. In addition, there are audits that must be performed and other administrative actions to be taken. Attached as Exhibit 1 is a description of the steps that need to be performed once the pool or pools are terminated.

Based on the projections that WECA has seen on the operation of the new universal communications service program, it does not appear as though the full amount of the funds will be distributed for the first two years of the program. This means that there are additional funds available.

WECA recommends that the cost for the administrative work that must be done to complete the requirements of these Commission-approved programs be paid for out of the funding under the new universal service communications program. WECA suggests that for accountability purposes, the amount that would be authorized to be paid from the universal communications service program would be pursuant to a budget approved by the Commission. As a control, there would need to be a demonstration of the actual amounts expended and, if the actual expenditures are less than the budgeted amount, the universal service communications service program should be reimbursed for the difference.

WECA understands that WITA is proposing language that could be used for this purpose in Docket UT-131239.

Thank you for your consideration of these comments.

Sincerely,

RICHARD A. FINNIGAN

RAF/ cs
Enclosures

cc: Client (via e-mail)