

**Exhibit \_\_\_\_\_ (RBS-\_T)**  
**Docket No. UT-011439**  
**Witness: Robert B. Shirley**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION**

**In the Matter of the Petition of**

**VERIZON NORTHWEST, INC.**

**For waiver of WAC 480-120-071(2)(a).**

**Docket No. UT-011439**

**REPLY TESTIMONY OF**

**Robert B. Shirley**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**December 27, 2002**

1 **Q. What is your name, you business address, and your position?**

2 A. My name is Robert B. Shirley. My business address is 1300 South  
3 Evergreen Park Drive Southwest, P.O. Box 47250, Olympia, Washington,  
4 98504-7250. I am employed by the Washington Utilities and  
5 Transportation Commission as a telecommunications policy analyst.

6  
7 **Q. Have you previously filed testimony in this case?**

8 A. Yes, on April 17, 2002, June 20, 2002, and September 20, 2002.

9  
10 **Q. What is the purpose of your testimony?**

11 A. This testimony is in response to RCC Minnesota. Its purpose is to provide  
12 the commission with information about the various policies and legal  
13 provisions that affect the ability of RC to recoup investment in service  
14 extensions and compare that to wireline companies' ability to recoup  
15 investment in service extensions.

16  
17 **Q. Generally, what do you state in this testimony?**

18 A. In my testimony I state that RCC is incorrect in suggesting there is a  
19 carrier of last resort that should be required to provide service to the  
20 Taylor and Timm Ranch locations. I then explain the differences in cost

1 recovery for extensions available to wireless and wireline companies,  
2 including (1) the history of support for wireline service and extensions in  
3 low-revenues locations; (2) the amount of support that is provided to  
4 wireline companies in comparison to wireless companies; (3) the support  
5 available to each for construction of new facilities; (4) the difference in  
6 technology; and (5) the effect of their decision on the future of competition  
7 in rural local service markets as it decides which carrier should provide  
8 service. I conclude by addressing whether wireline and wireless ETCs  
9 have incentives to invest in extensions and preserve and advance  
10 universal service.

11  
12 **Part A: Carrier of Last Resort and Qwest, Verizon's and RCC's**  
13 **Obligations to Serve.**

14 **Q. RCC testified that it should not be considered a carrier of last resort;**  
15 **that some other company should be the carrier of last resort and**  
16 **required to provide service for the several people who have contacted**  
17 **Verizon and requested service. Does RCC have a carrier of last resort**  
18 **obligation in Washington?**

19 **A.** No, RCC does not have a carrier of last resort obligation; neither do Qwest  
20 or Verizon have that obligation. I am unaware of any statute, Commission

1 Order, or statement that creates a general carrier of last resort obligation.  
2 A company may have filed an exchange map, installed facilities nearby a  
3 particular location that are used to serve similar customers, requested ETC  
4 designation, or publicly claimed to offer service in the area. Any of these  
5 facts could affect its obligations under RCW 80.36.090, but none of them  
6 causes it to be designated as the carrier of last resort.  
7

8 **Q. What obligation do the companies have?**

9 A. Every telecommunications company operating in Washington must, upon  
10 reasonable notice, furnish to all persons who are reasonably entitled to  
11 service the connections necessary for telephonic communication on  
12 demand.<sup>1</sup>  
13

14 **Q. Does the obligation apply to both wireline and wireless companies?**

15 A. The obligation does apply to all telecommunications companies, which are  
16 companies that provide telecommunications for hire, sale, or resale to the  
17 general public.  
18

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<sup>1</sup> See RCW 80.36.090.

1 **Q. Can the Commission enforce this obligation with respect to wireline**  
2 **companies? With respect to wireless companies?**

3 A. The Commission can enforce this obligation with respect to wireline  
4 companies. In order to answer the question concerning wireless  
5 companies, one would have to analyze not only RCW 80.36.090, but also  
6 RCW 80.66.010, pertaining to regulation of wireless companies, and RCW  
7 80.36.610, which authorizes the Commission to take actions permitted or  
8 contemplated for a state commission under the federal  
9 telecommunications act of 1996.

10

11 **Q. Does ETC status change this obligation for wireline or wireless**  
12 **companies?**

13 A. There is no policy reason why it should be read to alter the obligation. It  
14 may be that ETC designation places an obligation on companies that is  
15 different than the obligation imposed by state law, and that the  
16 obligations can co-exist without altering one another.

17

18 **Part B – Standard for Wireless and Wireline ETCs with Respect to**  
19 **Service Throughout An Area**

1 **Q. RCC Minnesota (RCC) has testified that it should not be required to**  
2 **undertake the expense of erecting two cell towers so that one can serve**  
3 **the Taylor’s and their neighbors and the other serve the Timm Ranch**  
4 **families. Do you agree?**

5 A. Yes. RCC cannot recoup any more than a minimal amount of the  
6 investment necessary to build two towers. A decision that sets the  
7 foundation for a policy that Washington will direct carriers to invest large  
8 amounts of money with no hope of a return on investment will harm  
9 Washington citizens by driving away companies that have arrived already  
10 with the intent of investing on reasonable terms and by scaring away  
11 companies that want to make investment on reasonable terms.

12  
13 **Q. Is there a reason, particular to this case, why t the Commission should not**  
14 **direct RCC to build two towers?**

15 A. The Commission should not order RCC to build two towers because no  
16 customer has requested service from RCC.

17  
18 **Q. RCC witness Ms. Kohler states at page 5, lines 11-12 that RCC “could**  
19 **not achieve sufficient signal strength to achieve industry standards for**

1 **service quality” for the Taylor and Timm Ranch locations. Does**  
2 **Commission Staff have a response to RCC’s testimony on this?**

3 A. Commission Staff has no response; we accept the testimony of RCC on  
4 this aspect of the case.

5  
6 **Q. If it is the obligation of an ETC to offer its services throughout the**  
7 **geographic area for which it is designated, does it follow that a wireless**  
8 **ETC must provide a good quality signal in every square foot of the area**  
9 **for which has been designated?**

10 A. It is the obligation of an ETC to offer its services throughout the  
11 geographic area, but that is not the same as requiring a wireless carrier  
12 that has just been designated as an ETC to provide a signal in every  
13 square foot of the area for which it has been designated. The obligation is  
14 met if a wireless carrier offers its services on a common carriage basis and  
15 invests universal service funds in infrastructure that, over time, will  
16 increase the availability of its signal throughout the area for which it is  
17 designated.

18  
19 **Q. Is this also the standard of the Federal Communications**  
20 **Commission?**

1 A. Yes. On November 27, 2002, the FCC granted ETC designation to  
2 RCC Holdings throughout its licensed service areas in Alabama  
3 and stated “[b]ecause dead spots are acknowledged by the  
4 Commission’s rules, we do not agree...that finding current ‘dead  
5 spots’ in RCC Holdings’ network demonstrates that RCC Holdings  
6 is not ‘willing or capable of providing acceptable levels of service’  
7 throughout its service area.”<sup>2</sup>

8 **Q. Is it the Commission’s standard for wireless ETC’s that they do not have**  
9 **to provide service to every square foot of the area where they are**  
10 **designated?**

11 A. It is, based on its grant of ETC status to RCC. The Commission stated at  
12 the time it memorialized its ETC designation of RCC “that a carrier  
13 requesting ETC designation need not provide service throughout an area  
14 to qualify as an ETC.”<sup>3</sup> In reaching this conclusion, the Commission  
15 stated:

16 In response to the rural ILECs’ allegations that RCC does not  
17 have sufficient signal strength to provide basic service in all  
18 areas of the rural exchanges, RCC states that this varied

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<sup>2</sup> *In the Matter of Federal State Joint Board on Universal Service, RCC Holdings, Inc. Petition for Designation as an Eligible Telecommunications Carrier Throughout its Licensed Service Area In the State of Alabama*, CC Docket No. 96-45, Memorandum Opinion and Order, November 26, 2002 (Released November 27, 2002), ¶17.

<sup>3</sup> *In the Matter of Petition of RCC Minnesota, d/b/a Cellular One, for Designation as an Eligible Telecommunications Carrier*, Docket No. UT-023033, August 14, 2002.



1 signal strength is precisely why it needs federal universal  
2 service support. It stated that rural ILECs have had decades  
3 of support that have enabled them to build plant and  
4 equipment to provide extensive service within their  
5 exchanges. RCC stated that the issue before the Commission  
6 is whether it wants cellular coverage in these areas sooner  
7 rather than later, in the next few years or in 2020. We are  
8 persuaded by RCC's argument.<sup>4</sup>  
9

10 **Q. What is the standard for wireline ETCs with respect to service**  
11 **throughout a geographic area?**

12 A. I am aware of no decision or official statement that reduces the obligation  
13 of a wireline ETC to less than the geographic area for which it is  
14 designated.  
15

16 **Q. Is the standard the same for wireless and wireline companies?**

17 A. After one considers the totality of circumstances, the standards are  
18 essentially the same in that the standards provide incentives that promote  
19 investment, on fair terms, that will preserve and advance universal  
20 service. This can be understood by examining (1) the history of support  
21 for wireline service an extension in low-revenues locations; (2) the amount  
22 of support that is provided to wireline companies in comparison to

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<sup>4</sup> Id. at ¶¶ 48-49.

1 wireless companies: (3) the support available to each for construction of  
2 new facilities; (4) the difference in technology; and (5) the effect of their  
3 decision on the future of competition in rural local service markets as it  
4 decides which carrier should provide service.

5 **Part B: The Differences In Cost Recovery For Extensions**

6 **Available To Wireless And Wireline Companies**

7 **Part B, 1. History of support for wireline service and extensions in**  
8 **high-cost, low-revenue locations.**<sup>5</sup>

9 **Q. What is the history of support for wireline service?**

10 A. For more than one hundred years, wireline service has been offered at  
11 average rates. Urban rates were averaged,<sup>6</sup> as were the costs of building  
12 rural networks. The Census Bureau, when it described the typical creation  
13 of a farmer-line system, stated that “[a] group of farmers who lived within  
14 a reasonable distance of one another, having come to the conclusion that  
15 telephone service was an essential comfort of life...would meet together  
16 and arrange to establish a telephone system which would connect them  
17 with one another. The work involved...would be so divided that *each*

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<sup>5</sup> When the Commission adopted WAC 480-120-071, it stated that it is not a universal service program. However, in the order granting Qwest’s motion to join RCC, the Commission seemed to mix extension policy and universal service policy. The information on universal service in this testimony is provided (1) to assist the Commission if it wants to change its program of universal service to include extensions, and (2) because once an extension is provided, there may be support available for the operation of the facilities built to extend service.

1           *member of the association would contribute an equivalent part of the material*  
2           *and labor.”* <sup>7</sup> (*Italics added.*)

3  
4           In 1907 there were 17,702 private rural circuits with 565,000 telephones  
5           and 486,000 miles of wire in service.<sup>8</sup> Over time, these farmer lines were  
6           tuned over to the Bell system or to independents. Average-cost pricing  
7           eventually gave way to distance charges on local service and to  
8           incremental-cost rather than average-cost pricing for extensions.

9  
10          In the 1940s, to provide revenue so local rates could be kept relatively low,  
11          the jurisdictional separations process was developed. AT&T (the Bell  
12          System) owned essentially all long distance lines and completed most of  
13          the long distance calls in the country, for Baby Bell companies and for  
14          independents. The separations process involved determining the  
15          percentage of calls that were local and the percentage that were interstate  
16          and intrastate long distance in order to determine the payment the long  
17          distance arm of Bell should pay for completion of calls on local networks.

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<sup>6</sup> Brooks, J. Telephone, 1976. P. 109.

<sup>7</sup> Id. at p. 111, quoting *Telephones: 1907*, Special Report, Department of Commerce and Labor, bureau of the Census (Washington, D.C., 1910).

<sup>8</sup> Brooks at p. 111.

1 This process was used to subsidize local service. One historian described  
2 it this way:

3 In essence, AT&T priced some of its intercity services, such  
4 as private lines, WATS, and regular long distance, relatively  
5 high in order to subsidize the enormous cost of building and  
6 maintaining the nation's wire-and-cable telephone  
7 infrastructure. If those costs were just passed on to local  
8 telephone users in the monthly bill, the price of residential  
9 phone service might double or triple. Instead, local service  
10 received a subsidy from long-distance revenues.<sup>9</sup>  
11

12 Also in the middle years of the last century, companies charged so-called  
13 distance, or mileage, rates for local service customers who lived beyond  
14 city limits.<sup>10</sup>  
15

16 By the mid-1990s, distance charges related to local service had  
17 disappeared and the price for local service within exchanges was uniform,  
18 although it often varied from exchange to exchange. In UT-950200, the  
19 Commission required Qwest to charge a statewide average price for local  
20 service (\$12.50), and the same for Verizon (at \$13.00) with the settlement  
21 in Docket No. UT-981367. These changes marked the return to uniform  
22 average-cost pricing for local service.

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<sup>9</sup> Coll, S., *The Deal of the Century: The Breakup of AT&T*, p. 13.

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Extension charges, however, continued on a semi incremental-cost basis through the 90s, and were placed on an essentially average-cost pricing basis with adoption of WAC 480-120-071.

**Q. Did average-cost pricing alone provide support for universal service and extensions?**

A. No, not alone. In addition to the cross-subsidies provided within companies through slightly higher-than-cost rates in urban areas, business rates, and long-distance rates, which were implicit,<sup>11</sup> there were also explicit supports. Chief among the explicit supports were access charge settlements, discussed above, and the Federal Communications Commission’s adoption of its Part 36 rules in 1987 that created the high-cost loop support program.

In 1987, the Federal Communications Commission (FCC) adopted Part 36 of its rules and established the jurisdictional separations process to direct

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<sup>10</sup> Many of the maps on file with the Commission still have indications for so-called “Base Rate Areas” and mileage zones even though these are now not part of the categories of charges for local service.

<sup>11</sup> *State Telecommunications Policy and Federal Requirements: Promoting Competition and Reforming Universal Service*. WUTC, November 1998. P. 2.

1 high-cost support to companies with above-average loop costs. As the  
2 FCC's Rural Task Force described it:

3 Under the FCC's Part 36 jurisdictional separations  
4 rules, all ILECs recovered a base of 25 percent of their loop  
5 costs from the interstate jurisdiction. The high-cost fund  
6 allowed companies (with loop costs above 115 percent of the  
7 national average cost per loop) to recover *additional* revenue  
8 from the interstate jurisdiction beyond the initial 25 percent.  
9 Additional recovery from the interstate jurisdiction decreases  
10 the amount of costs that local companies would otherwise  
11 have to recover from the intrastate jurisdiction, thereby  
12 keeping rates affordable for local customers. (Italics added.)

13  
14 Rural Task Force White Paper 1<sup>12</sup>

15  
16 Under Part 36, companies with greater-than-average loop costs receive, on  
17 a lagged basis, recovery for continuing investment in low-revenue  
18 locations. The funds flow from densely populated states to less densely  
19 populated states.

20  
21 This effort on the part of the FCC followed the break-up of AT&T and  
22 coincided with the Washington Commission's efforts in Docket No. U-85-  
23 23, that resulted in what we today call the WECA process, a process that

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<sup>12</sup> Federal Communications Commission's Rural Task Force White Paper 1, September 1999,  
<http://www.wutc.wa.gov/rtf>

1 also supports companies that serve high-cost, low-revenue locations.<sup>13</sup>

2 Part 36 applies to interstate service; WECA charges apply to intrastate

3 services. This effort by the WUTC itself coincided with passage of the

4 Regulatory Flexibility Act, which states the policies of Washington State:

5 The legislature declares it is the policy of the state to:

6 (1) Preserve affordable and universal telecommunications  
7 service;

8 (2) Maintain and advance the efficiency and availability of  
9 telecommunications service;

10 (3) Ensure that customers pay only reasonable charges for  
11 telecommunications service;

12 (4) Ensure that rates for non-competitive  
13 telecommunications services do not subsidize the  
14 competitive ventures of regulated telecommunications  
15 companies;

16 (5) Promote diversity in the supply of telecommunications  
17 services and products in telecommunications markets  
18 throughout the state; and

19 (6) Permit flexible regulation of competitive  
20 telecommunications companies and services.  
21

22 RCW 80.36.300.

23  
24 The FCC's Part 36 rules remain in place today and are part of the

25 regulatory mechanism that it has created to comply with the requirements

26 of the Telecommunications Act of 1996 to preserve and advance universal

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<sup>13</sup> Verizon's predecessors, Contel and GTE, participated in the WECA process until they merged and became a Primary Toll Carrier (PTC). At that point, the company voluntarily withdrew from WECA.

1 service. *See 47 U.S.C. § 254(b)*. As discussed in Part B, 3, below, Part 36, in  
2 combination with Part 69, provides recovery for extensions investment for  
3 some companies.

4  
5 **Q. In summary, what is the history of support for wireline service?**

6 A. The history of support for wireline service is one of average-cost pricing,  
7 equal contribution to construction of facilities before and after a period of  
8 incremental-cost pricing of extensions, and shifting funds from one or  
9 more services and from different parts of the country, to ensure the  
10 availability and affordability of local service in rural areas.

11  
12 **Part B, 2. – The amount of support available to wireline companies in**  
13 **comparison to wireless companies.**

14 **Q. How much is universal service support for high-cost service is provided**  
15 **in Washington each year?**

16 A. A representative of the Commission testified before a legislative  
17 committee in September 2002 that the total amount is \$181 million dollars  
18 each year. The federal share is \$77 million; the state share is \$104 million.



1 **Q. How much went to wireline companies and how much to wireless**  
2 **companies?**

3 A. All of the state support, \$104 million, went to wireline companies.  
4 Wireline companies received \$71 million of federal high-cost support and  
5 wireless competitors received \$6 million from the federal high-cost fund.  
6

7 **Q. Wireless companies received no support from state sources. Is there a**  
8 **reason wireline companies received \$104 million in state support and**  
9 **wireless companies receive no state support?**

10 A. Yes, the reason is that state high-cost, low-revenue support comes from  
11 surcharges on access and wireless companies may not file tariffs to charge  
12 access.  
13

14 **Q. How many lines are supported with \$181 million dollars?**

15 A. According to testimony by a representative of the Commission to a  
16 legislative committee, there are 400,000 residential lines and 35,000  
17 business lines that are supported.  
18

19 **Part B, 3. – Support available to wireline and wireless companies for**  
20 **construction of new facilities to extend service.**

1 **Q. Is federal high-cost fund support available to wireline companies for**  
2 **construction of new facilities to extend service?**

3 A. Yes, for ILECs that have average loop costs of 115% or greater in  
4 comparison to the national average loop cost. It is not available for  
5 companies that fall below the Part 36 threshold of having average loop  
6 costs of less than 115% of the national average loop cost.

7  
8 **Q. How do some ILECs receive support for extensions of service under Part**  
9 **36?**

10 A. Rural ILECs with average loop costs in excess of 115% of the national  
11 average loop cost use FCC Part 69 rules that lead to support payments  
12 based on their expenses. While it is a complicated formula, for purposes  
13 of this proceeding it is enough to say that investment in extensions, like all  
14 other investment by qualifying companies, is rolled into total-company  
15 costs and support is provided on a total-company basis.<sup>14</sup>

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17 Since the adoption of WAC 480-120-071, no rural ILEC except CenturyTel  
18 has asked for recovery of extension investment under the terms of the

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<sup>14</sup> Under the law, companies generally must only be provided a fair opportunity to earn a reasonable return on investment. Those that participate in Part 36 and Part 69, however, seem to receive more, if not be guaranteed more by the law (as represented by the FCC rules). That is, a company eligible to participate in

1 rule. Either rural ILECs are not investing in extensions, or they are  
2 recouping the investment in some other way, probably through Part 36  
3 and Part 69 mechanisms that result in federal high-cost support.

4  
5 **Q. How does Washington provide for a return on investment for wireline**  
6 **companies that invest in extensions?**

7 A. Through surcharges on terminating access.

8  
9 **Q. Is the surcharge related to total company activity or just to a particular**  
10 **wireline extensions?**

11 A. It is associated with a particular extension. Total-company performance is  
12 not a factor in determining the level of the surcharge.

13  
14 **Q. Is the surcharge available to a wireline company only for large**  
15 **extension projects?**

16 A. No. It is available for large or small projects. For example, one tariff to  
17 recover terminating access for the purpose of recouping the cost of line  
18 extensions which the commission let go into effect in July, 2002 resulted in

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Part 36 and Part 69 appears to be guaranteed a reasonable rate of return, not just the fair opportunity to earn it.

1 a surcharge on access to provide a return on investment for one very  
2 expensive extension and several less expensive ones.<sup>15</sup>

3  
4 **Q. Over what period of time can a wireline company recoup its investment**  
5 **in an extension?**

6 A. The standard, based on tariffs the Commission has let go into effect for  
7 Sprint and Verizon, is now one year. If Verizon were ordered to construct  
8 service to the Taylor and Timm Ranch locations, it could recoup the  
9 investment with a surcharge that spread the investment over just one  
10 year.

11  
12 **Q. Has a company ever recovered the cost of money for the period between**  
13 **investment in an extension and the time it fully recovered the**  
14 **investment through access charges?**

15 A. Yes. CenturyTel recovered its cost of money for constructing the  
16 extension to Libby Creek. Verizon included it in the amount to be  
17 recovered by the tariff that went into effect in July 2002.

18  

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<sup>15</sup> CenturyTel, Sprint-United, and Verizon have filed tariffs to recover for projects that varied in amount. See attached filing and docket sheets for Docket No. UT-020047, Sprint-United (Attachment A); Docket No. UT-020557, Verizon (Attachment B); and Docket No. UT-021065, CenturyTel (Attachment C).

1 **Q. Has a company ever recovered its authorized return on investment**  
2 **through access charges?**

3 A. Yes, Verizon included its authorized return on investment in the amount  
4 it is recovering based on the May 2, 2002 tariff filing that the Commission  
5 permitted to go into effect at its July 10, 2002 Open Meeting.

6  
7 **Q. Is a surcharge on terminating access permitted by WAC 480-120-071**  
8 **available to wireless companies?**

9 A. No. Wireless companies are prohibited by FCC rule from having an  
10 access tariff. A wireless company cannot use this mechanism to recoup its  
11 cost of investment in an extension. RCC, if ordered to spend a few  
12 thousand dollars or hundreds of thousands of dollars to provide service to  
13 the Taylor and Timm Ranch locations, cannot recoup that investment  
14 through this mechanism. It cannot recoup either its cost of money or the  
15 actual cost of the towers. (RCC has no authorized rate of return.)

16  
17 **Q. Is Part 36 and Part 69 support available to wireless companies?**

18 A. No. Wireless companies cannot participate in the Part 36 and Part 69  
19 process that looks at total-company investment and results in support for  
20 certain above-average-cost companies.

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**Q. Is any federal support for high-cost, low-revenue service available to wireless companies?**

A. Yes, in areas where the underlying wireline incumbent receives support, a wireless ETC will receive the same per-line support as the underlying incumbent. In the Bridgeport exchange of Verizon, for example, the federal support per line, per month will be approximately \$8.70 per residential line, per month. In the case of the Timm Ranch, if the Qwest boundary were changed to include that area, the amount available in federal funds to Qwest or RCC would be zero.<sup>16</sup>

**Part B, 4 – The difference in technology.**

**Q. There is a difference in technology between wireless and wireline. How should that be taken into account when determining whether a wireless or wireline company should have an obligation to serve the Taylor and Timm Ranch locations?**

A. The essential difference in technology is that wireline service is place-bound and design of the network must take this into account. Wireless

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<sup>16</sup> Qwest receives state support for the Omak exchange and could request a proceeding to increase the amount for that exchange if the boundary were changed.

1 technology can serve a stationary telephone as well as mobile telephones;  
2 indeed, the handset can be the same if the signal strength is sufficient.

3  
4 **Part B, 5 – The effect on the future of competition in rural local service**  
5 **markets if the Commission decides to order RCC to build towers to**  
6 **provide service to the Taylor and Timm Ranch locations.**

7  
8 **Q. What will be the effect on other companies if the Commission orders**  
9 **RCC to build towers especially for providing service to the Taylor and**  
10 **Timm Ranch locations.**

11 A. I am in agreement with Ms. Kohler of RCC that a decision to require RCC  
12 to build two towers to provide service to two specific locations with no  
13 hope of even a modest return on investment will send a message to other  
14 wireless companies to stay away from Washington.

15  
16 If I understand her testimony, it is that the best policy for Washington  
17 State, if it wants increased cell service availability in rural areas, and the  
18 competition and benefits that cell service would provide, would be to let  
19 RCC design and build a network based on the principles it uses to design  
20 and build networks elsewhere.

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It is my opinion the Commission would also send a very odd signal to citizens, who might think that the essence of common carriage, competition, or both, is that citizens may choose among multiple providers. To my knowledge, no person in the Taylor or the Timm Ranch locations has contacted RCC and requested service. I do not think citizens expect the Commission to choose a carrier for them.

**Q. Do the five factors reviewed above result in a standard for both wireline and wireless ETCs that provides incentives that promote investment in extensions and preserves and advances universal service?**

A. Yes. Wireline companies have incentives to serve throughout the geographic areas for which they are designated as an ETC because the cost of extending service throughout can be recovered under WAC 480-120-071 on very generous terms. As administered by the Commission, companies may recover investments in just one year, including the cost of money, rate of return on investment, and other costs, including administrative overhead. Once completed, the service provided over an extension would qualify for both federal and state universal service support.



1           Wireless companies have an incentive to invest in extending cell coverage  
2           in a planned manner because their universal service support is based on  
3           the number of lines served in high-cost, low-revenue locations. If each  
4           new tower extends service to an unserved area with the greatest number  
5           of potential customers, the wireless carrier will have the greatest amount  
6           of support available to invest in a tower to serve the next most densely  
7           populated unserved area. Over time, with continued support, a wireless  
8           company will build a network to serve the entire area for which it is  
9           designated an ETC.

10

11   **Q.    Does this conclude your testimony?**

12   A.    Yes.