

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AT&T COMMUNICATIONS OF THE
PACIFIC NORTHWEST, INC.,

Complainant,

v.

VERIZON NORTHWEST, INC.,

Respondents.

DOCKET NO. UT-020406

SETTLEMENT STIPULATION

I. INTRODUCTION

1 This Settlement Stipulation is entered into on March 5, 2003, by and between:
AT&T Communications of the Pacific Northwest, Inc. (AT&T), Verizon Northwest Inc.
(Verizon); the Commission Staff (Staff), and WorldCom Inc. (WorldCom) as represented
by the undersigned (referred to hereinafter jointly as the “Participating Parties” and
individually as a “Participating Party”).

2 The Participating Parties hereby voluntarily agree to this Settlement Stipulation
to resolve all matters in dispute among them regarding AT&T’s complaint against
Verizon in this docket. The Participating Parties understand that this Settlement
Stipulation is subject to Commission approval, and hereby respectfully request that the
Commission issue an order approving this Settlement Stipulation. Each Participating
Party agrees that the Settlement Stipulation is in the public interest. Within the context

of this Settlement Stipulation, the Participating Parties agree that the Settlement Stipulation will result in rates that are just, fair, reasonable and sufficient, and not unreasonably discriminatory or preferential.

II. PROCEDURAL BACKGROUND

3 On April 3, 2002, AT&T filed a complaint against Verizon, alleging that Verizon's intrastate switched access charges are too high and unduly prejudicial, and that they violate the Commission's imputation standards. On April 11, 2003, Verizon answered AT&T's complaint, and denied the allegations. Also on April 11, 2002, Verizon moved to dismiss the complaint. Commission Staff, AT&T, and WorldCom opposed Verizon's motion to dismiss. On July 16, 2002, the Commission entered its Second Supplemental Order denying Verizon's motion to dismiss and holding that AT&T's complaint should proceed to hearing.

4 AT&T and Commission Staff filed direct testimony on September 30, 2002. Verizon filed its responsive testimony on December 3, 2002. AT&T filed its rebuttal testimony on January 31, 2003, and Commission Staff filed rebuttal testimony on February 7, 2003. Verizon filed surrebuttal testimony on February 24, 2003. Various portions of the testimony were stricken by the Commission's Fifth Supplemental Order, which was issued on February 21, 2003. Other portions of the testimony are subject to pending motions to strike.

5 The Commission was scheduled to begin evidentiary hearings in this matter on
March 3, 2003. However, the parties requested, and the Commission granted, a
continuanace in order to negotiate a settlement.

6 The Public Counsel Section of the Attorney General's Office has appeared in this
matter, but declined to participate in the settlement negotiation session held on March
4, 2003. Public Counsel has not agreed to the terms of this Settlement Stipulation.

7 The participating parties submit and incorporate by reference the exhibits
attached to this Stipulation.

III. SETTLEMENT AND REQUEST FOR APPROVAL

8 The Participating Parties have agreed to resolve all disputed issues upon the
following terms and conditions:

- 9 1. Verizon shall reduce its intrastate switched access charges by:
- a. Reducing the interim universal service rate element to offset the increase in high-cost support that Verizon receives through interstate access charges; and
 - b. Reducing the originating access charges to the level Qwest Corporation's intrastate switched access charges

The overall effect of these reductions is to reduce Verizon's revenue by \$35.5 million using projected 2003 units.

2. Verizon shall be allowed to increase other rates by \$27.9 million. The specific rates Verizon shall be allowed to increase are:
- a. Establish a late payment charge of 1.5%;

- b. Reduce the current number of free directory assistance calls by one for residential and business customers 2 to 1;
- c. Increase the directory assistance billed rate to \$1.25;
- d. Increase the residential flat and package rates by \$2.00 per month;
- e. Increase business B1 rates by \$2.50 per month; and
- f. Increase private line 2-wire rate to \$29.15, increase 4-wire private line rate to \$45.47, increase digital data service rate to \$105.25, and increase special transport for above items to \$5.12.

The revenue impact of the rate decreases and increases are set forth in Exhibit B to the Settlement Stipulation. The specific rates are set forth in Exhibit C to the Settlement Stipulation.

3. Verizon will not seek to increase any regulated rate or charge within the state of Washington for one year after the date Verizon files tariffs implementing this Settlement Stipulation. This section does not apply to individual or minor rate adjustments made by Verizon in the normal operation of its business (e.g., individual case base contracts, new service offerings, price listed services). For one year after the date Verizon files tariffs implementing this Settlement Stipulation, no Participating Party, nor the Commission will initiate, request the Commission to initiate, or support any third-party request for the Commission to initiate any proceeding regarding the access charges, overall revenues, or earnings of Verizon. Provided, however, if Verizon elects to reduce its toll rates during the term of the stipulation, the Participating Parties reserve the right to challenge any such toll reduction so long as the remedy is limited rejecting the filing or modifying the toll rate.
4. Verizon consents to a Commission order that limits Verizon's terminating access charges to the interconnection rate, which currently is \$0.0014151, plus the universal service rate element, and permits Verizon to offset any future reduction in the terminating rate with an increase in the originating access rate.

5. Parties further agree that:
- a. Customers receiving the services included in the rate increases should be notified of the proposed increases at least 30 days before the Commission acts on the proposed settlement;
 - b. The Commission should schedule at least one hearing for public testimony on the proposed Settlement Stipulation in a location where Verizon provides local service; and
 - c. Rate changes resulting from this settlement should be implemented within 10 business days after Commission approval of the Settlement Stipulation.

10 This Settlement Stipulation and the attachments are presented to the Commission under WAC 480-09-465 (Alternative Dispute Resolution) for the Commission's approval. If this Settlement Stipulation is approved, it would constitute a full settlement of all issues raised in AT&T's complaint and by the Participating Parties.

IV. MISCELLANEOUS PROVISIONS

11 The Participating Parties agree to the following miscellaneous terms with respect to the Settlement Stipulation:

12 Binding on Parties: Each Participating Party agrees to support the terms and conditions of this Settlement Stipulation. The Participating Parties understand that this Settlement Stipulation is subject to Commission approval.

13 Integrated Terms of Settlement: This settlement represents an integrated resolution of issues. Accordingly, the Participating Parties recommend that the

Commission adopt this Settlement Stipulation in its entirety. Each party reserves the right to withdraw from the Settlement Stipulation if the Commission does not approve the Settlement Stipulation in its entirety or conditions its approval of the Settlement Stipulation on material revisions to its terms and conditions.

14 Procedure: The Participating Parties agree to provide at least one witness at the time this settlement is presented to the Commission to provide testimony in support of this Settlement Stipulation and answer any questions the Commission may have. The Participating Parties agree to cooperate, in good faith, in the development of such other information as may be necessary to support and explain the basis of this Settlement Stipulation, and to supplement the record accordingly.

15 No precedent: The Participating Parties enter into this Settlement Stipulation to avoid further expense, uncertainty, and delay in resolving the issues presented in this docket. By executing this Settlement Stipulation, no Participating Party shall be deemed to have accepted or consented to the facts, principles, methods, or theories employed in arriving at the Settlement Stipulation, or in any of the pre-filed testimony of the Participating Parties. No Participating Party shall use, advocate or otherwise employ— itself or in conjunction with any other individual or entity—this Stipulation for disputing, arguing, or resolving any issues in any other proceeding.

Dated: March 5, 2003

**AT&T COMMUNICATIONS OF THE
PACIFIC NORTHWEST, INC.**

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