

JAY & GRACE—

Here are some hurried comments that I hope will help us cover all the topics tomorrow.

There were four issues we addressed in the WTAP rulemaking workshops. We discussed:

1. The need for uniform tariffs;
2. The need to require outreach;
3. The need to require ILECs and CLECs to participate in WTAP; and
4. Participation by wireless carriers.

As a result of the discussion, review of the underlying statute, and considering the statute will have to be revisited in the 2002 legislative session, we made the following recommendations to Glenn Blackmon.

On the issue of uniform tariffs, to not pursue this issue. There is a separate rulemaking open on tariffs and price lists and this does not seem to be important at this time with respect to WTAP.

On the issue outreach, we concluded that we have no power to enforce the FCC's rule that carriers conduct targeted outreach concerning discount programs. Nevertheless, we also recommend that we should not revise our rule to include the same outreach requirement. Rather, we recommended that the Commissioners should authorize staff to hold a "show and tell" workshop at which carriers would be expected to share the particular outreach activities in which they engaged in order to reach targeted segments of the low-income consumer public. Related to this, we informed Glenn that a number of workshop participants have asked if it would be beneficial if DSHS would increase its outreach efforts because it has a list of most qualified low-income consumers.

We recommended that all ILECs and CLECs that have residential customers as more than 10% of their customer base should be required to participate in WTAP. This would require a change in our rules.

We recommended that wireless carriers be permitted to participate in WTAP, but not required. We recommended that an effort to change the WTAP statutes should be considered for 2002.

On the issue of reimbursement, which is for you to decide, we suggest that you may want to consider a reimbursement scheme that is based on the lowest local service rate in each exchange, as determined either annually or biennially. This would mean that WTAP would be protected from up-side risk and that WTAP would receive the advantage of cost reductions (as reflected in reduced prices). Companies that have higher rates would receive less than total reimbursement (utilities must have the opportunity to earn a fair rate of return over-all, not necessarily on every transaction). Customers would still have choices (when CLECs reach 10 % residential customers, or before at the CLEC's discretion).

As to wireless, we suggest you consider a rule that would allow you to reimburse wireless carriers only when a customer has no wireline connection and then establish the amount of reimbursement on a case-by-case basis with a presumption that it would be based on the lowest

cost plan available to the general public. Technological neutrality can be sidestepped because this reimbursement would only be used when there is no wireline connection. Reimbursement might differ in amount from wireline (if it were available), but it would still be based on the cost of service incurred by the company, which is the basis for rates charged by wireline companies.

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