

June 13, 2002

JUDITH A. ENDEJAN
(206) 340-9694
jendejan@grahamdunn.com

Ms. Carole Washburn
Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
1300 South Evergreen Park Dr. S.W.
Olympia, WA 98504-7250

Via Facsimile and E-mail

Re: Docket No.'s UT-013058 & UT-023020

Dear Ms. Washburn:

United States Cellular Corporation (“USCC”) hereby comments on the petitions of Washington’s Rural Incumbent Local Exchange Carriers, CenturyTel of Washington and Inter-Island regarding the disaggregation and targeting of support for receipt of federal universal service funds, and the recommendation of the Commission Staff with respect to these petitions. USCC supports the recommendation of the Commission Staff which would preserve the current disaggregation methodology used for federal universal service support in Washington State. This methodology stems from a petition by the Washington Rural Incumbent Local Exchange Carriers and the Commission Staff filed at the FCC in August of 1998, which sought approval for de-averaging universal service support by dividing each exchange into two zones. The FCC granted this petition in 1999. Since then, the Federal Universal Service Administrative Corporation (“USAC”) has used this methodology to distribute federal universal service support for all eligible telecommunications carriers in Washington State. This disaggregation approach is consistent with the FCC’s view that USF support should generally be disaggregated and targeted in a manner that the per line level of support for the underlying incumbent is more closely aligned with the cost of providing service by that incumbent.¹

In their petitions, most of Washington’s rural incumbent local exchange carriers have elected Path 1 under Section 54.315 (b). This is not consistent with their previous position in favor of the disaggregation and targeting of support. These incumbents do not justify this choice, which will have an adverse impact on USCC.

¹ See *In The Matter of Federal State Joint Board on Universal Service*, CC Docket No. 96-45, CC Docket No. 00256, 2001 FCC Lexis 2861 (May 23, 2001).

Ms. Carole Washburn
June 13, 2002
Page 2

USCC sees no reason for reversing course at this point, to allow the rural incumbent local exchange carriers to not disaggregate. As pointed out in the Staff memo, USCC as a competitive eligible telecommunications carrier will be significantly harmed if disaggregation is not continued. The Staff's memo attachment shows that USCC will lose between \$2.3 million and \$2.7 million in support if the status quo is changed, even though the support levels of its competitors will not be affected. In addition, USCC will have to invest significant resources to re-code its customer base to comport with any change in the USF distribution method.

USCC cannot make the disaggregation choice which is reserved for rural incumbent local exchange carriers under Section 54.315. However, it must live with the consequences of that choice because its support level is tied to that of the underlying incumbent rural carrier. Therefore, USCC urges the Commission to examine these carriers' choices carefully, with an eye toward their impact on competitive ETC's. In this case, the choices made by the rural carriers will significantly harm USCC, with no perceivable benefit to the carriers or their customers. When granting USCC ETC status the Commission promoted the ability of rural Washington citizens to obtain competitive cellular services at an affordable price.

As the FCC and this Commission have decided, USCC as a competitive ETC is entitled to receive the same level of support as incumbent ETC's. This is critical to a new entrant's ability to achieve competitive entry and provide meaningful competition. Therefore, it is important for the Commission to order a disaggregation plan which best promotes competitive neutrality between CETC's and IETC's. The Staff's recommendation fulfills that goal and should be followed.

Sincerely,

GRAHAM & DUNN PC

Judith A. Endejan

Cc: Jim Jenkins (via e-mail)
Bob Shirley (via e-mail)
Rick Finnigan (via e-mail)
Robert Snyder (via e-mail)
Calvin Simshaw (via e-mail)
Greg Trautman (via e-mail)

JAE/mkt
m25014-366902.doc