

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

<p>AT&T Communications of the Pacific Northwest, Inc.</p> <p>v.</p> <p>Verizon Northwest, Inc.</p>	<p>DOCKET NO. UT-020406</p>
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REPLY BRIEF OF PUBLIC COUNSEL

I. VERIZON HAS FAILED TO ESTABLISH THAT THE COMMISSION “MUST” OFFSET ACCESS CHARGE REDUCTIONS WITH SIMULTANEOUS REVENUE-NEUTRAL INCREASES IN OTHER RATES

The Public Counsel Section of the Washington State Attorney General’s Office (Public Counsel) limits its reply briefing to the inappropriateness of any rate rebalancing in this docket.¹ All parties except Verizon appear to agree that the proper process for the Commission’s consideration of Verizon’s request for rate rebalancing is in a separate proceeding. *Brief of Public Counsel*, p. 4; *Opening Post-Hearing Brief of AT&T Communications of the Pacific Northwest, Inc.*, ¶ 6 and 62; *Worldcom’s Initial Post Hearing Brief*, p. 10; and *Brief of Commission Staff*, ¶ 57.

Despite the Commission’s ruling in the *Fifth Supplemental Order* (and Verizon’s acknowledgement of it in its Brief), Verizon nonetheless continues to argue for rate rebalancing. Verizon asserts that the Commission is prohibited by law from reducing Verizon’s earnings in this docket. *Verizon’s Opening Brief*, p. 4, 16, and 58. Public Counsel believes that the Commission should disregard these arguments as they are materially inconsistent with the letter and spirit of the *Fifth Supplemental Order*.

Verizon appears to argue that since the Commission must set rates that are fair, just reasonable, and sufficient any reduction in access charges that is not simultaneously off-set by a revenue-neutral rebalancing of rates would result in under earning by Verizon; therefore the Commission cannot reduce Verizon’s earnings in this docket. Verizon’s reasoning is faulty.

Verizon has made an insufficient factual showing in this docket that any reduction in its access charges would result in rates which are not fair, just reasonable, and sufficient. It appears more likely from the evidence now before the Commission that Verizon has in fact been over-

¹ No other party appears to contest in briefing that the local loop is a joint and common cost which must be taken into consideration when determining the access charges for the toll services which utilize it.

earning upon its allowed rate of return for some time now.² Thus, it is an unanswered factual question whether any reduction in access charges the Commission may order would in fact lower Verizon's revenues below the level previously approved by the Commission such that its existing rates may no longer be fair, just, reasonable, and sufficient. This insufficiently answered factual question weighs strongly in favor of the decision reached in the *Fifth Supplemental Order* limiting the scope of the Commission's inquiry in this docket to AT&T's complaint.

The most appropriate course of action for the Commission at this time is to reach a determination on the appropriateness of Verizon's access charges and leave any rebalancing of rates to a subsequently filed general rate case, if any.

DATED this 17th day of June, 2003.

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² See Exhibits T3R, T4C-R, 7C-10, and T150-154C.