

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

VERIZON SELECT SERVICES, INC.;)	
MCIMETRO ACCESS TRANSMISSION)	DOCKET UT-081393
SERVICES, LLC; MCI COMMUNICATIONS)	
SERVICES, INC.; TELECONNECT LONG)	Settlement Agreement Narrative
DISTANCE SERVICES AND SYSTEMS CO.)	
d/b/a TELECOM USA; AND TTI)	
NATIONAL, INC.,)	
)	
Complainants,)	
)	
v.)	
)	
UNITED TELEPHONE COMPANY OF THE)	
NORTHWEST, d/b/a EMBARQ)	
)	
Respondent.)	
_____)	

NARRATIVE

1 Pursuant to WAC 480-07-740(2)(a), United Telephone Company of the Northwest d/b/a Embarq ("United") and Verizon Select Services, Inc.; MCIMetro Access Transmission Services, LLC; MCI Communications Services, Inc.; Teleconnect Long Distance Services and Systems Co. d/b/a Telecom USA; and TTI National, Inc. ("Verizon") (collectively the "Parties" or individually a "Party") provide this Narrative Supporting Settlement Agreement ("Narrative"). The Narrative summarizes many aspects of the Settlement Agreement between the Parties ("Agreement" or "Settlement") but is not intended to modify the Agreement or any of its terms.

REDACTED/PUBLIC VERSION

I. Support for the Agreement

2 The Agreement is supported by this Narrative and the prefiled testimony and exhibits that the Parties stipulate to admission into the evidentiary record in this proceeding.

II. Scope of the Underlying Dispute

3 The underlying dispute involves a formal complaint filed by Verizon against United with the Washington Utilities and Transportation Commission ("Commission") on July 28, 2008, in which Verizon asserted that United's intrastate switched access rates violate RCW 80.36.140 and RCW 80.36.186. United filed its answer to the complaint on August 18, 2008 and denies that its intrastate switched access rates violate RCW 80.36.140 and RCW 80.36.186.

4 The Commission's Staff ("Staff") and AT&T Communications of the Pacific Northwest, Inc., and TCG Seattle (collectively "AT&T") are also parties to this case.

5 Prefiled testimony was submitted by Verizon, AT&T, Staff, and United. On August 2, 2009, the Judge was informed that Verizon and United had settled their dispute, and on August 3, 2009, the Judge issued a Notice Suspending Procedural Schedule & Setting Prehearing Conference.

6 As discussed in this Narrative, United and Verizon have reached an agreement that resolves the issues set forth in Verizon's Complaint. After taking all issues into

consideration, including but not necessarily limited to, the prefiled testimonies in this proceeding, prior Commission action with respect to intrastate access rates relating to other carriers, and generally considering the risks and benefits specific to this proceeding in Washington, the Parties have agreed to a set of conditions in the spirit of compromise and to facilitate a prompt resolution of this proceeding consistent with the public interest. The Agreement represents a fair and reasonable resolution of all issues in this docket, and accordingly, the Parties seek Commission approval of the Agreement without material change.

III. Overview of the Proposed Settlement Agreement

A. Substance of the Agreement

7 Pursuant to the Agreement, when approved by the Commission, United will make changes to its intrastate access rates as follows:

- (1) United will file a tariff, effective January 1, 2010, eliminating its originating intrastate carrier common line charge ("CCLC").
- (2) United will file a tariff, effective January 1, 2010, reducing its originating intrastate local switching access charge to \$.0158172.
- (3) United will reduce its interim USF additive by a total of 50% in two equal installments over 2 years; the first reduction of 25% will take effect on January 1,

2011, and the second reduction of an additional 25% will take effect on January 1, 2012.

(4) The Parties agreed to the following parameters with respect to future advocacy in other proceedings:

a. Verizon will not object to United seeking the ability to request full recovery of any reductions to access revenues with offsetting increases to local rates through an alternative form of regulation ("AFOR") or other rate proceeding.

b. Both Parties retain the right to address the appropriateness of a Washington state USF in any future proceeding.

c. Verizon will not seek any other reductions to United's intrastate switched access rates, including to the ITAC,¹ except in the context of a rulemaking or generic proceeding where parties to that proceeding can address the potential establishment of a replacement state USF mechanism and other related matters such as whether establishment of a state USF fund is appropriate policy in Washington, including issues such as affordability of rates, impact on competition, and investment policies.

8 Please refer to Section E of the Agreement for the specific terms of settlement.

¹ The interim USF additive is commonly referred to in this proceeding as the "ITAC".

B. Procedure

9 The Parties understand that the Commission has discretion, consistent with applicable law, to determine whether it will approve the Agreement. Pursuant to WAC 480-07-740(1) the Commission has scheduled a hearing with respect to the Agreement for September 9, 2009.

IV. Statement of Parties' Views

10 This Narrative, as required by WAC 480-07-740(2)(a), includes a "statement of parties' views about why the proposal satisfies both their interests and the public interest." Below each Party has separately set forth its statement as to why it believes the Settlement is in the public interest. The separate statements provide each Party's interpretation of the facts and its analysis of the applicable law. A number of the factual allegations in the separate statements are contested. Although the statements contain disputed allegations, both Parties nonetheless believe this Settlement is in the public interest.

A. Statement of Verizon

11 The Agreement should be approved under WAC 480-07-740(2) as "consistent with law and the public interest." Although the Agreement in Verizon's view does not reduce United's intrastate switched access rates as much or as quickly as would be necessary to maximize economic efficiency and fully promote competition, it is a reasonable resolution of heavily contested issues.

1. The Agreement is “consistent with law” Because United Is Required by Statute to Charge Reasonable Intrastate Switched Access Rates that Do Not Give United an Undue Competitive Advantage.

12 The Commission has recognized that excessive intrastate switched access rates violate Washington law and are harmful to Washington’s communications sector and to its consumers. For example, the Commission found in Docket No. UT-020406 that Verizon Northwest’s intrastate switched access rates (which were lower than United’s current rates) were unreasonable and anticompetitive, and required Verizon Northwest to reduce its intrastate switched access rates to levels consistent with Washington law.² The Commission endorsed the testimony of Glenn Blackmon regarding why Verizon Northwest’s access rates violated RCW 80.36.180:

[T]he excess charges of Verizon allow it to export costs of the Verizon local network to the customers of Qwest and/or the interexchange companies that offer intrastate toll service. Verizon’s pricing structure results in some combination of higher profits and lower rates for its local exchange services. It also can distort competition in the long-distance market to the disadvantage of any company that chooses to offer long-distance service to Verizon’s local exchange customers. This is unjust, unfair, and unreasonable.

Id., ¶ 48.³

² See Eleventh Supplemental Order, Docket No. UT-020406, Order Sustaining Complaint, Directing Filing of Revised Access Charge Rates (“Eleventh Supplemental Order”), ¶ 49.

³ As witnesses for Verizon, AT&T, and Staff have pointed out, the Commission and the Washington legislature are in good company with respect to the policy of ensuring reasonable and procompetitive switched access rates. The Federal Communications Commission, numerous state public utility commissions, and numerous eminent economists have confirmed that excessive switched access rates harm competition and consumers. *See, e.g.*, Direct Testimony of Paul B. Vasington on Behalf of Verizon (February 18, 2009) (“Vasington Direct”), at 7-8, 28-31; Rebuttal Testimony of Paul B. Vasington on Behalf of Verizon (June 5, 2009) (“Vasington Rebuttal”), at 30-41.

13 Mr. Vasington testified in the present proceeding that United's current intrastate switched access rates are similarly excessive and anticompetitive.⁴ For example, Mr. Vasington explained that for a toll call that originates and terminates in United's Washington service territory, the access charges United would assess on an IXC are *twice as high* as the retail price United charges its own long distance customers for the same call.⁵ Verizon contends that such rates are unreasonable, and they create an "undue or unreasonable prejudice" to competitors. See RCW § 80.36.186. That unreasonable prejudice will be reduced by the reductions required in the Agreement.

14 Notably, the Agreement involves a reduction in United's intrastate switched access rates that is similar to the reduction Commission staff recommended in 2005.⁶ Although the Commission Staff now advocates a deeper reduction in United's switched access rates, the fact that Staff previously considered the rates embodied in the Settlement to be reasonable supports the reasonableness of the Settlement.

⁴ See Vasington Direct at 17-26. Mr. Vasington also noted that public utility commissions in other states have specifically addressed United's intrastate switched access rates in targeted complaint proceedings like this one, and have determined that they should be reduced. *Id.* at 28-31.

⁵ *Id.* at 19.

⁶ See Testimony of Timothy W. Zawislak, Docket No. UT-051291 (Nov. 30, 2005), at 11 (recommending elimination of United's CCLC and reducing its originating local switching rate to \$0.015172) & 12 (recommending reducing United's ITAC by roughly 50% to \$0.031779). No reduction to United's ITAC was made as part of Docket No. UT-051291.

2. The Agreement is “consistent with ... the public interest” Because it Will Benefit Consumers and Competition and Will Have No Negative Consequences.

15 The settlement *advances* the public interest because, as discussed above, permitting local exchange carriers to charge excessive intrastate switched access rates is contrary to Washington law and harmful to consumers and competition. No further analysis is necessary to establish that the Agreement is “consistent with” the public interest under WAC 480-07-740(2).

16 United has argued that reducing its intrastate switched access rates without providing it an opportunity for a replacement mechanism could have negative consequences, such as an increase in local rates or a deterioration in service quality.⁷ That assertion was refuted by Verizon, AT&T, and the Commission’s staff, who argued that United’s purported “cost study” did not show a need for any subsidy flow from switched access rates to local service.⁸ United’s arguments about the purported impact of switched access reductions on service quality and local rates have also been rejected by other regulators who have ordered United to reduce its intrastate switched access rates.⁹

⁷ See, e.g., Responsive Testimony of Christian M. Dippon (dated April 17, 2009), at 65-84.

⁸ See, e.g., Vasington Rebuttal at 5-16, 18-20.

⁹ For example, earlier this year the Virginia State Corporation Commission required United to reduce its intrastate switched access rates. In doing so, the Virginia commission determined that no replacement mechanism was needed, and squarely rejected United’s universal service arguments. However, the Commission did retain a portion of the carrier common line charge. See Order on Intrastate Access Charges, *Petition of Sprint Nextel For Reductions in the Intrastate Carrier Access Rates of Central Telephone Company of Virginia and United Telephone-Southeast, Inc.*, Docket No. PUC-2007-00108 (May 29, 2009), at 8-10.

17 Even if there were some merit to United's argument about the impact on universal service (and there is not), this Agreement will result in United being able to continue to charge 50% of its current ITAC, and to phase in the reduction of the ITAC over a two-year period. Verizon does not believe either result is necessary particularly since the access charge reductions are so long in coming relative to Verizon and Qwest, but accepted them both as part of settlement to avoid further litigation. The inclusion of such items, though, ensures that no credible claim can be made that United does not have ample time to adjust to what this Commission has termed "the competitive realities of the 21st century."¹⁰

18 Accordingly, the settlement will advance the public interest and will have no negative consequences.

3. There Is No Nexus Between this Settlement and the Settlement of the CenturyTel/United Merger Proceeding.

19 During the third prehearing conference in this docket on August 5, 2009, Judge Torem expressed an interest in ensuring that this settlement would not affect the Commission's ability to address any synergy benefits resulting from the merger in any future revenue requirement review or general rate case proceeding as set forth in the merger proceeding. Verizon was not a party to that proceeding and is not familiar with the synergy analyses presented there. However, the settlement in the CenturyTel/United merger proceeding is clearly irrelevant to this docket. By definition,

¹⁰ See Eleventh Supplemental Order, ¶ 39.

United's ITAC and CCLC – which constitute the great majority of the access reductions agreed to by Verizon and United – are subsidy elements unrelated to any switched access functions. Such subsidy elements are impermissibly borne by other carriers. The elimination of those subsidies from other carriers has nothing to do with synergy savings that may be reviewed in any future revenue requirement review or general rate case proceeding of Embarq or CenturyTel. There is no reason that any requirement to address any synergy benefits resulting from the merger in any revenue requirement or general rate case proceeding should be affected by a Commission order approving this settlement. In other words, United can and must implement simultaneously both the commitments from the CenturyTel/Embarq merger proceeding and this Settlement (once approved).

4. Nor Is There a Nexus Between this Settlement and Any Future Comprehensive Proceeding Relating to Access Charges or Universal Service Issues.

20 In this Settlement, United has reserved its right to argue in future proceedings, including any future rulemaking or generic proceeding, that it needs to replace reduced switched access revenue with revenue from a state USF fund. However, as discussed above, the factual underpinnings of United's universal service arguments have been extensively addressed in this proceeding – and Verizon's witness testified that United's claim for the need to replace reduced switched access revenue is unfounded. In other words, to the extent the Commission chooses to open a comprehensive proceeding to

examine intrastate switched access rates and universal service issues, United would be permitted to argue that it needs universal service subsidies – but Verizon believes that United did not make its case and therefore believes it’s unlikely it could make it in the future. Mr. Vasington testified that United is not a rural carrier and it has little in common with the state’s high-cost carriers; rather, Mr. Vasington testified that it is a large, sophisticated company that can and should compete on a level playing field with its competitors.¹¹

21 Accordingly, in Verizon’s view, there is nothing about this Settlement that requires or sets the stage for the Commission to open a USF proceeding in the future – especially given that under the Settlement United will continue to charge 50% of its current ITAC (which is 50% more than what Verizon, Staff and AT&T argued in litigation is needed). United’s statement below must be read against that backdrop.¹² United’s statement suggests that the Commission should consider a follow-on proceeding to provide a replacement mechanism for lost revenue, but *nothing* in the Settlement or in the factual record indicates that such a proceeding is needed.¹³

¹¹ See Vasington Direct at 24-26. As Mr. Vasington noted, other commissions in other states have reached the same conclusion based on the facts developed in similar complaint proceedings. *Id.* at 28-29.

¹² Many of the factual assertions in United’s statement are heavily contested. For example, in footnote 20, United asserts that it would have to increase local rates by \$10.20 in order to recover the lost revenues from the switched access reductions sought by Verizon’s complaint. Mr. Vasington testified that even if rate rebalancing were appropriate (and United has failed to demonstrate that it needs more revenue to cover its costs for local service), the increase per line would be approximately \$6.00. See Vasington Rebuttal at 44. And the Commission Staff also testified that United could completely eliminate its ITAC and fully rebalance by increasing local rates without charging local rates that are unaffordable or unreasonable. See Testimony of Timothy W. Zawislak, Docket No. UT-081393 (dated June 5, 2009), at 6-7. Notably, Staff also alleged that “[i]t does not automatically flow from ‘could’ that United ‘should’ collect that money.” *Id.*

¹³ United closes its statement by suggesting that United’s switched access rates are relevant to United’s ability to invest in broadband and advanced services. This is the first time United has made that argument – and for good reason. It would be bad public policy, and a violation of law (including RCW § 80.36.186), for the Commission to

B. Statement of United.

22 United believes that the Settlement supports important interests of United and the consumer public by permitting United to continue to charge 50% of its current interim USF additive until the Commission completes the process that began more than ten years ago to resolve universal service funding issues. Completion of the universal service process is not only contemplated by state law, but it is also essential to United's ability to continue to provide affordable basic and advanced telecommunication services to customers in Washington. As discussed below, the public policy in Washington under current law and regulation supports the preservation and advancement of universal service and directs the Commission to undertake a resolution of universal service issues. The time is ripe for the Commission to replace the temporary, interim USF support mechanism with a more permanent solution. This Agreement is consistent with the Commission's ability to do so by reserving the determination of critical universal service policies to another proceeding where issues such as the affordability of rates, impact of competition, COLR responsibilities and investment policies can be reviewed in the proper context. Although Verizon may dispute whether this proceeding implicates any universal service issues, United believes that a permanent universal service solution must be in place for it to maintain its COLR obligations, meet competition and prevent possible harm to customers. In

permit United to use switched access revenues paid by competitors to fund the deployment of broadband or other advanced services.

contrast, United believes the other parties' testimony in this proceeding essentially thwarts this important public policy objective by advocating to completely eliminate interim USF support without a corresponding review of potential universal service replacement support, which Verizon alleges is not needed.

23 While the Settlement Agreement supports a limitation on the reduction of the interim USF additive, it allows for the Commission to review the issues of USF more thoroughly in a generic proceeding. It also allows United to potentially seek recovery of access revenue reductions in other proceedings, with the goal of mitigating alleged negative impacts on COLR obligations and other consumer harms.

1. A Permanent Universal Service Fund is Necessary and Consistent with Law and the Public Interest

24 Washington law directs the Commission to “plan and prepare to implement a program for the preservation and advancement of universal service,” which plan is subject to legislative approval.¹⁴ The Agreement is consistent with the public interest because it does not eliminate the interim USF, and at that same time provides the Commission, United and the parties with an opportunity to address this important issue, consistent with RCW 80.36.610. That statute explains the Washington state legislature’s intent as follows:

(2) The legislature intends that under the future universal service program established in this state:

¹⁴ RCW 80.36.600

(a) Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the preservation and advancement of universal service in the state;

(b) The contributions shall be competitively and technologically neutral; and

(c) The universal service program to be established in accordance with RCW 80.36.600 shall not be inconsistent with the requirements of 47 U.S.C. Sec. 254.

25 The Commission promulgated the terminating access rule (WAC 480-120-540) as a temporary measure to address universal service requirements. At the time, the Commission explained that it was reasonable to approve a temporary measure until the resolution of universal service issues could be undertaken on a broader basis:

...to allow companies to bifurcate the existing terminating access rates into two elements: (a) a cost-based or interconnection-based terminating rate, and (b) a residual temporary universal service increment. This allows the companies to hold their total terminating access rates at current levels pending the resolution of universal service issues.¹⁵ (Emphasis added.)

26 United testified in this proceeding that without appropriate universal support, United cannot continue to make both the investments sufficient to (1) meet competition with the diverse, high quality of services its customers have come to expect and (2) maintain basic local service to its customers as the carrier of last resort. United's witnesses testified that United, and other rural companies like it, would be placed in an

¹⁵ *In the Matter of Adopting WAC 480-120-540 Relating to Intrastate Access Charge Reform*, Docket No. UT-97035, General Order No. R-450 (September 23, 1998)

extremely tenuous position without sufficient universal service support.¹⁶ If United was faced with insufficient universal service support and was forced to reduce investment in broadband and advanced services so that it could continue to provide and maintain basic local service to remain competitive, it would suffer even more dramatic access line losses.¹⁷ In turn, investment in basic local service could suffer, in which case Washington consumers would be impacted in their ability to continue to receive affordable, reliable, universally available basic service, as they demand.

27 The Commission recognized this tension when it originally considered how to implement the statutory universal service directive, stating:

If incumbents lower their prices in competitive, low-cost markets, the price reductions will reduce or eliminate the support that is currently provided to high-cost customers. The alternative may be no more attractive to the incumbent: if prices to low-cost customers are not reduced, there is a greater likelihood that competitors will be able to attract the incumbent's customers. These competitive losses will also eliminate an important source of support to high-cost customers.¹⁸

28 United believes that this tension and the resulting potential harm to consumers applies to United in Washington, although it is somewhat mitigated by United's ability to continue to receive 50% of its ITAC under the Settlement. This Agreement provides

¹⁶ On average, United serves approximately 9 loops per square mile in Washington, versus Verizon Northwest's 40 loops per square mile and Qwest's 118 loops per square mile. *See Responsive Testimony of Hank J. Roth*, at p. 15. Similarly, United's territories have a population density of 27.96 per square mile, whereas Qwest's population density is 247.93 per square mile and Verizon Northwest's population density is 152.99 per square mile. *See Responsive Testimony of Christian Dippon*, at p. 23-24.

¹⁷ Mr. Dippon testified that United's line losses in Washington are alarming. It has lost [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] of its access lines in its three non-rural exchanges (as that term is defined by the FCC) over the last eight years, and [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] in its rural wire centers during that same period. *See Testimony of Christian Dippon*, at p. 33-34.

¹⁸ *In the Matter of Determining Costs for Universal Service*, Docket No. UT-980311, Tenth Supplemental Order Establishing Costs (November 20, 1998), at page 5.

an opportunity for the Commission to preserve some of the interim USF, and in the future the Commission can take the critical steps required to achieve true and sustainable universal telecommunication service for Washington consumers.

2. United Must Ensure that Until a Permanent Universal Service Fund is Established, there are Safeguards to Ensure it can Continue to Meet its COLR obligations

29 As noted above, United testified that it cannot both effectively meet competition and its COLR obligations without sufficient universal service support. Consumers are demanding broadband and other advanced services. Therefore, it is imperative to preserve as much of United's primary means for getting that support:¹⁹ The reductions that result from this settlement are not as potentially harmful as the 100% elimination of United's current universal service funding that the Staff and other parties propose in their testimony. Specifically, the local rate increases needed to recover access revenue reductions reflected in this Agreement would be approximately 50% less than the local rate increases needed to recover the Verizon proposed access reductions and approximately 42% less than the increases needed to recover the Staff proposed access reductions.²⁰ There are also provisions that would prohibit Verizon from seeking

¹⁹ The CCLC elimination that is proposed in this Settlement represents approximately 7% of United's current intrastate switched access revenues. The reduction in United's originating intrastate local switching access charges represents approximately 3.8% of United's current intrastate switched access revenues. The impact to the interim USF represents the bulk, nearly 75% of the reductions under the Agreement.

²⁰ There is disagreement between the parties with respect to calculating the per access line impact of local rate increases necessary to recover access reductions. Verizon witness Mr. Vasington testified that no rebalancing is appropriate, but he estimated that full rebalancing (if approved) would involve a per line increase of approximately \$6.00 based on using all of United's 2007 access lines. Commission Staff witness Mr. Zawislak calculates the impact if United were to mirror Verizon Northwest's rate of \$16.90 utilizing residential and basic business lines (increase per line varies from \$0.50 to \$8 for a residential customer). United estimates a per line increase of \$10.20 would be needed to recover the access reductions proposed by Verizon if the increase were applied to residential

further reductions to United's access revenues outside of a generic proceeding in which the Commission would have the ability to consider the policies and impacts of a state USF.

30 This Agreement provides the Commission and the Parties with an interim solution until the Commission can consider building upon, or replacing, the existing interim universal service mechanism, because United believes harm could otherwise result. It provides an opportunity for the Commission to complete the process outlined in RCW 80.36.600 through 620, as contemplated in 1998 when the Commission put into place a temporary universal service mechanism pending the resolution of universal services issues as a whole. And during the pendency of efforts by the Commission to address the growing problem of ensuring universal service in Washington, this Agreement provides United an opportunity to seek recovery of revenue losses that may impact its substantial existing, and future, carrier of last resort obligations.

31 While United believes that there is some risk that United will ultimately not be able to recover all of those costs, United believes that this proposal is a better solution than those proposed in litigation by the Staff, AT&T and Verizon. The time has come for the Commission to finish the work it did not complete, and has not revisited, following the proceedings of the late 1990s.

access lines only. Regardless of which access lines are utilized to determine the per line increases necessary to recover access revenue reductions, if allowed, this Agreement reduces the per line impact and the potential customer harm when compared to the proposed access reductions of Verizon or Commission Staff.

3. Legal Points Relevant to United and this Agreement

32 At the August 5, 2009 prehearing conference, the Commission asked United to address whether and how this Agreement would affect the conditions adopted by the Commission in the CenturyTel-Embarq Merger, Docket No. UT-082119 ("Merger Order"). Specifically, the Commission asked United to address how, as a legal matter, this Agreement would affect the findings in paragraphs 33, 34, and 50 of the Commission's final order in the CenturyTel-Embarq merger case.²¹ Those paragraphs address:

- (1) The cost of capital in any future rate case;
- (2) A requirement for the two companies' ILECs to file an AFOR within 5 years, in which Staff could conduct an earnings review;
- (3) A one-year stay-out on local rate increases except in certain circumstances; and
- (4) Tracking and reporting of synergies resulting from the merger.

33 It is contemplated by this Agreement that United would be entitled to seek, and Verizon could not oppose, local rate increases by United to offset access revenue losses in a general rate case or an AFOR. However, nothing in this Agreement modifies or is intended to supersede the Merger Order with regard to the AFOR or stay-out provisions. Further, this Agreement preserves all parties' ability to perform a full

²¹ See *In the Matter of the Joint Application of Embarq Corp. and CenturyTel, Inc.*, Docket No. UT-082119, Order No. 5 (May 28, 2009).

investigation of the facts and circumstances at the time of the AFOR filing and United's cost of capital in any future rate case.

34 Furthermore, nothing in this Agreement modifies or is intended to supersede the requirement in the Merger Order to track and report synergies from the merger. Nor will the proposed reductions to access affect the realization of synergies, or the ability of the Commission to take synergies into consideration in future proceedings as identified in the merger order. United believes that not approving this Agreement and adopting any of the litigation positions of the other parties could result in potentially substantial reductions in United's ability to invest in broadband and advanced services, which United contends would harm consumers and hamper United's ability to compete.

35 As a final note, the Commission conditioned the merger on the United seeking an AFOR within 5 years of approval of the merger. Considering that United would realize substantial reductions to its interim USF Additive in just over one year, it may be in the company's best interest to seek rate relief, in some form, as soon as is practicable.

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V. Conclusion

36 For the reasons set forth above, the Parties respectfully request that the Commission approve the Agreement.

Respectfully submitted this 24th day of August 2009.

Verizon Select Services, Inc.; MCIMetro United Telephone Company of the
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V. Conclusion

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Respectfully submitted this 24th day of August 2009.

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