

**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
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.)	
_____)	

SETTLEMENT AGREEMENT

1 This Settlement Agreement (“Agreement”) is entered into between 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”).

A. BACKGROUND

2 This docket 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, disputing Verizon’s assertions, and simultaneously filed a motion to dismiss. On August 27, 2008, the Washington Independent Telephone Association (“WITA”) filed a motion seeking permission to file an amicus brief in support of United’s motion to dismiss. Also on August 27, 2008, Verizon filed its opposition to United’s motion, and Verizon filed its objections to WITA’s amicus brief on September 2, 2008.

3 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.

4 The Judge denied United’s motion to dismiss during a November 20, 2008 Prehearing Conference, and the Prehearing Conference Order established a testimony and briefing schedule. Testimony was filed 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.

B. NATURE OF AGREEMENT

5 This Agreement is a "Multi-Party Settlement" of all issues within the meaning of
WAC 480-07-730(3). AT&T will not object to and Staff will support this Settlement.
The Parties present this Agreement to the Commission for its approval as a compromise
to resolve the complaint filed by Verizon against United.

C. POSITIONS ARE NOT CONCEDED

6 Subject to the terms of this Agreement, each of the Parties maintains the positions
espoused throughout the proceeding. No Party necessarily accedes to any argument
made by any other Party.

D. AGREEMENT SUBJECT TO COMMISSION APPROVAL

7 The Parties understand and agree that this Agreement in no manner binds the
Commission in ruling on the pending proceeding until such a time as the Commission
approves the Agreement. This Agreement is expressly subject to Commission approval
except for ¶ 12 (Support of the Agreement) below. The Parties agree that if the
Commission approves the Agreement without material change, this docket will be
concluded.

E. AGREED TERMS OF SETTLEMENT

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The Parties agree to the following terms:

- 1. Intrastate Originating Carrier Common Line Access Rate Charge and Originating Intrastate Local Switching Access Rate**
 - a. United will file a tariff, pursuant to WAC Chapter 480-80, that eliminates its originating intrastate carrier common line access charge rate of \$.01 in Washington with an effective date of January 1, 2010.
 - b. United will file a tariff, pursuant to WAC Chapter 480-80, that reduces its tariffed originating intrastate local switching rate to the current Verizon Northwest rate of \$.0158172 with an effective date of January 1, 2010.
- 2. Reductions to the Interim Terminating USF Additive, also referred to as the Interim Terminating Access Charge ("ITAC"), and Recovery of Access Reductions Outside of this Proceeding**
 - a. United will reduce its ITAC 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.
 - b. Verizon will not object to United seeking the ability to request the recovery of reductions to access revenues with offsetting increases to local rates or to propose such offsets over the same phase-in period as set forth in (a) above, a rate case, AFOR, rulemaking, investigation, or any other Commission proceeding, whether initiated by United, the Commission or any other person or entity.
 - c. Verizon will not seek any other reductions to United's intrastate switched access charges, including to the ITAC, except in the context of a rulemaking or generic proceeding where parties to that proceeding can address the potential establishment of a replacement universal service fund ("USF") mechanism and other related matters such as whether a USF is appropriate policy in Washington, including issues such as affordability of rates, impact of competition, and investment policies.
 - d. Verizon will not object to United seeking the ability to request full recovery of any reductions to access revenues in the context of a rulemaking or generic proceeding through a replacement USF mechanism, provided nothing in this

paragraph shall preclude Verizon or United from addressing whether a state USF is appropriate policy in Washington, including issues such as affordability of rates, impact of competition, and investment policies.

- e. Nothing in this Agreement shall limit Verizon's or United's future advocacy with respect to any entity or issue not expressly contemplated herein.

3. State Universal Service Fund

United expressly reserves the right to seek, on its own or in any forum, a state USF in Washington.

F. EFFECTIVE DATE

9 This Agreement is effective upon Commission approval, without material change, of the Agreement. Notwithstanding the effective date of the Agreement as a whole, paragraph 12 below, which requires the Parties to support the Agreement, is effective as of the date the Agreement has been executed by both parties.

G. FILING OF THE AGREEMENT

10 The Parties agree to use the following procedures to seek Commission approval of the Agreement. The Parties will file this Agreement as soon as is practicable, but no later than one (1) business day after it is executed. Within ten (10) business days after execution of the Agreement, the Parties will file the required narrative supporting this Agreement ("Narrative"). United will file this Agreement and the Narrative with the Commission on behalf of it and Verizon. The transmittal letter will recommend that the Commission accept the settlement as the resolution of all issues in the case.

H. AGREEMENT APPROVAL

11 The Parties understand the Commission has discretion, consistent with applicable law, to determine whether it will approve this Agreement. Pursuant to WAC 480-07-740(1), the Parties urge the Commission to approve the Agreement.

I. SUPPORT OF THE AGREEMENT

12 The Parties agree to use their best efforts to support the Agreement as a settlement of all contested issues in the pending proceeding. If the Commission requests, the Parties will present supporting witnesses to sponsor the Agreement at a Commission hearing and recommend that the Commission issue an order adopting this Agreement in its entirety as the appropriate resolution of this proceeding, and provide such other evidence or briefing that the Commission may require pursuant to WAC 480-07-740(2). No Party to this Agreement or their agents, employees, consultants or attorneys will engage in any advocacy inconsistent with the Agreement or contrary to the Commission's prompt consideration of this Agreement. Nothing in this Agreement, however, requires any Party to support a material modification to this Agreement, if one is ordered by the Commission.

J. PROCEDURE IF THE COMMISSION PROVIDES LESS THAN FULL APPROVAL

13 If the Commission rejects this Agreement, the provisions of WAC 480-07-750(2)(a) shall apply. If the Commission accepts the Agreement subject to conditions not proposed herein, each Party reserves the right, upon written notice to the

Commission and the other Parties within five (5) days of the Commission's Order, to state its rejection of the conditions and to withdraw from the Agreement. In such event, the objecting Party may request the prompt convening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case pursuant to WAC 480-07-750(2)(a).

K. THE AGREEMENT AS PRECEDENT

14 The Parties have entered into this Agreement to avoid further expense, inconvenience, uncertainty and delay. Nothing in this Agreement (or any testimony, presentation or briefing offered by the Parties to support the Agreement), nor any order issued by the Commission as a result of this Agreement, shall be cited or construed as or deemed to be precedent by any Party to this Settlement with respect to any issue, principle, or interpretation or application of law and regulations, for any purpose or in connection with any proceeding before any court of law or any state or federal government regulatory body.

15 Because this Agreement represents a compromise position of the Parties, no conduct, statements or documents disclosed in the negotiation of the Agreement shall be admissible as evidence in this or any other proceeding. This paragraph does not apply to non-privileged, publicly available documents.

L. ENTIRE AGREEMENT

16 The Parties acknowledge that this Agreement is the product of negotiations and compromise and shall not be construed against any Party on the basis that it was the drafter of any or all portions of this Agreement. This Agreement constitutes the Parties' entire agreement on all matters set forth herein, and it supersedes any and all prior oral and written understandings or agreements, on such matters that previously existed or occurred in this proceeding, and no such prior understanding or agreement or related representations shall be relied upon by the Parties.

M. INTEGRATED AGREEMENT

17 The Parties request that the Commission approve this Agreement with no material changes. The Parties have agreed to this Agreement as an integrated document.

N. MANNER OF EXECUTION

18 This Agreement is considered executed when all Parties sign the Agreement. A designated and authorized representative may sign the Agreement on a Party's behalf. The Parties may execute this Agreement in counterparts. If the Agreement is executed

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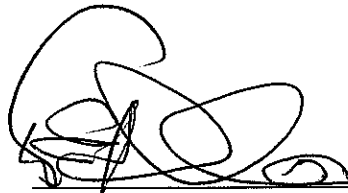
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in counterparts, all counterparts shall constitute one agreement. A faxed signature page containing the signature of a Party is acceptable as an original signature page signed by that Party.

DATED this 3rd day of August, 2009

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.

United Telephone Company of the
Northwest d/b/a Embarq



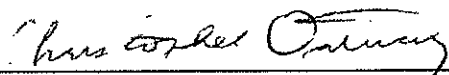
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DATED this 12th day of August, 2009

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.



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