

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

VERIZON SELECT SERVICES, INC.;)	DOCKET UT-081393
MCIMETRO ACCESS)	
TRANSMISSION SERVICES, LLC;)	
MCI COMMUNICATIONS)	ORDER 05
SERVICES, INC.;)	
TELECONNECT)	
LONG DISTANCE SERVICES AND)	
SYSTEMS CO. d/b/a TELECOM)	FINAL ORDER APPROVING
USA; AND TTI NATIONAL, INC.,)	AND ADOPTING SETTLEMENT
)	AGREEMENT; AUTHORIZING
Complainants,)	AND REQUIRING
)	COMPLIANCE FILING
v.)	
)	
UNITED TELEPHONE COMPANY)	
OF THE NORTHWEST, d/b/a)	
EMBARQ,)	
)	
Respondent.)	
.....)	

1 ***Synopsis.** The Commission approves and adopts a Multi-Party Settlement Agreement filed by Verizon Access and Embarq that, among other things, eliminates Embarq’s originating intrastate carrier common line access charge and reduces Embarq’s originating intrastate local switching rate, both effective January 1, 2010. The Settlement Agreement also phases in a 50 percent reduction of Embarq’s interim terminating access charge (ITAC) over the next several years. The Commission finds these access charge rate reductions a reasonable step toward a more competitive telecommunications marketplace and the Settlement Agreement as a whole consistent with the public interest.*

SUMMARY

2 **PROCEEDING.** On July 28, 2008, 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. (collectively “Verizon Access” or “Complainants”) filed a formal complaint against United Telephone Company of the Northwest (Embarq).

- 3 In November 2008, the Commission set the matter for an evidentiary hearing to be held from August 5-7, 2009, in Olympia, Washington, before Administrative Law Judge Adam E. Torem.
- 4 On August 2, 2009, Embarq announced that it had reached a settlement in principle with Verizon Access. Although no other parties joined the settlement, no other party objected to its terms. Therefore, the Commission reset the matter for a hearing on the proposed Settlement Agreement to be held on September 9, 2009, before Judge Torem and the full Commission.
- 5 Verizon Access and Embarq filed their signed Settlement Agreement on August 13, 2009, and the required Settlement Agreement Narrative on August 24, 2009. Commission Staff filed a Public Interest Analysis on the proposed Settlement Agreement on August 26, 2009. Intervenor AT&T Communications of the Pacific Northwest, Inc., and TCG Seattle (AT&T) filed its comments that same day.
- 6 On September 9, 2009, the Commission conducted a hearing on the proposed multi-party Settlement Agreement.
- 7 **PARTY REPRESENTATIVES.** Gregory M. Romano, General Counsel – Northwest Region, Everett, Washington, and Christopher D. Oatway, Assistant General Counsel, Arlington, Virginia, represent the complainants, Verizon Access. William E. Hendricks, III, Hood River, Oregon, represents the respondent, Embarq. Jonathan Thompson, Assistant Attorney General, Olympia, Washington, represents Commission Staff.¹ Letty S.D. Friesen, Denver, Colorado, and Cindy Manheim, Redmond, Washington, represent Intervenor AT&T.
- 8 **COMMISSION DETERMINATION.** The Commission finds on the basis of the evidence presented that the elimination or reduction of Embarq’s rate elements described in the Settlement Agreement is lawful and in the public interest. Although the Commission could have required that Embarq’s intrastate access rates be reduced further, these agreed reductions result in lower rates that should benefit Washington

¹ In formal proceedings, such as this, the Commission’s regulatory staff participates like any other party, while the Commissioners make the decision. To assure fairness, the Commissioners, the presiding administrative law judge, and the Commissioners’ policy and accounting advisors do not discuss the merits of this proceeding with the regulatory staff, or any other party, without giving notice and opportunity for all parties to participate. *See RCW 34.05.455.*

consumers. The Commission accordingly approves and adopts the Settlement Agreement in full resolution of the issues raised in this proceeding.

MEMORANDUM

I. Background and Procedural History

- 9 Typically, local telecommunications companies (local exchange carriers or LECs) provide local telephone service in designated “exchange service areas” which encompass specific geographic areas of the state. For long distance services, interexchange carriers (IXCs) such as Complainants, provide only part of the network facilities necessary to enable and complete a long distance call relying, in large measure, on LECs’ local network facilities to originate and terminate their calls.² LECs provide to IXCs a service commonly referred to as “switched access” for the purpose of originating and terminating long distance calls. In effect, switched access service affords an IXC temporary use of LEC facilities to transport and switch toll calls between an IXC and its end user customers. The Federal Communications Commission (FCC) regulates interstate switched access services while state commissions regulate intrastate switched access services.
- 10 When LECs bill IXCs for switched access services, the amount billed may include both state and federal subsidies (implicit or explicit) that, historically, were intended to ensure the deployment and maintenance of affordable basic telephone service in high cost and rural areas.
- 11 Over a decade ago, the Commission sought to encourage interexchange or long distance competition and increase customer choice in Washington by taking steps to reduce the implicit subsidies inherent in LECs’ intrastate access charge services. In particular, on September 23, 1998, the Commission adopted Washington Administrative Code (WAC) 480-120-540 which required incumbent local exchange carriers (ILECs) to reduce their terminating switched access rate elements to levels approaching their actual costs for providing the services.³ However, to mitigate the effect of the reductions, the Commission allowed LECs, including Embarq, to

² LECs tend to own and maintain local loops, switches, and transport trunks that constitute a local exchange network. Interconnection agreements couple local exchange networks together to afford customers the ability to place regional, national, and international long-distance calls.

³ See Order Adopting Rules Permanently, *In the Matter of Adopting WAC 480-120-540*, Docket UT-970325 (Sept. 23, 1998).

maintain their existing intrastate access charge revenue streams on a temporary basis by assessing an interim terminating access charge (ITAC) on intrastate terminating long distance traffic.⁴ In March 2003, the Washington Supreme Court upheld these rules.⁵

- 12 In August 2003, the Commission upheld in part a formal complaint brought by AT&T against Verizon Northwest, Inc. (Verizon NW) alleging excessive intrastate access charges. Among other things, in that proceeding, the Commission ordered Verizon NW to revise and reduce its intrastate access charges, including a 25 percent reduction to its ITAC.⁶
- 13 On July 28, 2008, Verizon Access filed a similar formal complaint alleging that Embarq's intrastate access charges in Washington are unjust and unreasonable, in violation of Revised Code of Washington (RCW) 80.36.140. The complaint further alleges that the level of Embarq's intrastate access charges create a competitive disadvantage and unreasonably prejudice competitors, in violation of RCW 80.36.186. Verizon Access asked the Commission to reduce Embarq's intrastate switched access rates to the levels set for Verizon NW's switched access rates in the 2003 complaint proceeding. Alternatively, Verizon Access asked the Commission to reduce Embarq's rates to the level set for Qwest in a 1996 proceeding that took place prior to the adoption of WAC 480-120-540.⁷
- 14 On August 18, 2008, Embarq simultaneously filed its answer to the complaint and a motion to dismiss the matter. On September 19, 2008, AT&T filed a petition to intervene in the case.
- 15 At an initial prehearing conference conducted on September 24, 2008, Judge Torem deferred ruling on Embarq's motion to dismiss, allowing time for the parties to receive and review a much anticipated Federal Communications Commission (FCC)

⁴ WAC 480-120-540.

⁵ Wash. Indep. Tel. Ass'n v. Wash. Util. & Transp. Comm'n, 148 Wn.2d 887, 64 P.3d 606 (2003).

⁶ AT&T Communications of the Pacific Northwest, Inc., v. Verizon Northwest, Inc., Docket UT-020406, Eleventh Supplemental Order; *Order Sustaining Complaint, Directing Filing of Revised Access Charge Rates* (Aug 12, 2003).

⁷ See Washington Utilities & Transportation Commission v. U.S. West Communications, Inc., Docket UT-950200, Fifteenth Supplemental Order; *Commission Decision and Order Rejecting Tariff Revisions; Requiring Refiling* (April 11, 1996).

decision that could have altered the nation's current intercarrier compensation rules, including intrastate access charges. Ultimately, the FCC was unable to develop consensus on reforming intercarrier compensation system.

- 16 At a second prehearing conference held on November 19, 2008, Judge Torem denied Embarq's motion to dismiss. Judge Torem adopted the parties' agreed procedural schedule for the filing of testimony and exhibits and also scheduled the evidentiary hearing to occur from August 5-7, 2009, in Olympia, Washington.
- 17 On August 2, 2009, Embarq and Verizon Access announced that they had reached a settlement in principle, resolving all issues raised in the complaint. The Commission suspended the procedural schedule and granted all parties an opportunity to comment on the Settlement Agreement and its supporting Narrative. On September 9, 2009, the Commission conducted a hearing on the proposed settlement.

II. Settlement Agreement

- 18 We summarize in this section the parties' proposed Settlement Agreement, which is attached to this Order as Appendix A and is incorporated as a part of this Order. If any inconsistency between our summary here and the Settlement Agreement is perceived, the express terms of the Settlement Agreement control.
- 19 In general, the terms of the Settlement Agreement require Embarq to:
- eliminate its carrier common line charge (effective January 1, 2010);
 - reduce its originating local switching rates to the same level as those charged by Verizon NW (effective January 1, 2010); and
 - reduce its interim terminating access charge (ITAC) by half, phased in over two years, in equal increments (effective January 1, 2011, for the first 25 percent; effective January 1, 2012, for the second 25 percent).⁸
- 20 Embarq's carrier common line (CCL) charge is currently set at \$0.01 per minute and its current originating local switching rate is set at \$0.020740 per minute. Upon filing a new tariff in compliance with the Settlement Agreement, effective January 1, 2010,

⁸ Settlement Agreement, at paragraph 8, subparagraphs 1(a), 1(b), and 2(a); *see also* Narrative, at paragraph 7, subparagraphs (1), (2), and (3). Embarq's ITAC is also known as its Interim Universal Service Fund Additive rate element.

Embarq's CCL charge would be eliminated and its new originating local switching rate would be reduced to \$0.0158172 per minute, a reduction of approximately 24 percent.⁹ Embarq's terminating local switching rate of \$0.004663 per minute would remain unchanged.

21 Embarq's ITAC is currently set at \$0.064851 per minute. The Settlement Agreement would reduce the ITAC by 25 percent on January 1, 2011, to \$0.048638 per minute, and reduce it again by an identical percentage on January 1, 2012, to \$0.032426 per minute.

22 In addition to these rate reductions, the agreement preserves Embarq's ability to petition the Commission for recovery of any reductions to access revenues with offsetting increases to local rates, prohibits Verizon Access from directly seeking further reductions to Embarq's intrastate switched access charges (including the ITAC), and prohibits Verizon Access from objecting to Embarq seeking recovery of lost revenues through adoption of a universal service fund (USF) mechanism in Washington.¹⁰ The Settlement Agreement does not restrict any other party's ability to subsequently challenge Embarq's rates.

III. Discussion and Decision

23 WAC 480-07-750(1) states in part: "The commission will approve settlements when doing so is lawful, the settlement terms are supported by an appropriate record, and when the result is consistent with the public interest in light of all the information available to the commission." Thus, the Commission considers the individual components of the Settlement Agreement under a three-part inquiry. We ask:

- Whether any aspect of the proposal is contrary to law.
- Whether any aspect of the proposal offends public policy.
- Whether the evidence supports the proposed elements of the Settlement Agreement as a reasonable resolution of the issue(s) at hand.

⁹ Narrative, at paragraph 7, subparagraph (2).

¹⁰ Settlement Agreement, at paragraph 8, subparagraphs 2(b), 2(c), and 2(d); *see also* Narrative, at paragraph 7, subparagraph (4).

24 The Commission must determine one of three possible results:

- Approve the proposed settlement without condition.
- Approve the proposed settlement subject to condition(s).
- Reject the proposed settlement.

25 As explained below, we find the Settlement Agreement terms proposed by Verizon Access and Embarq to be consistent with law and policy and to resolve reasonably the issues in this proceeding. The settling parties made compromises relative to their respective litigation positions to arrive at end results that are fair, just and supported by the evidence in the record. Below, we discuss the parties' testimony concerning the proposed Settlement Agreement in greater detail and make our own determinations.

26 Verizon Access explains that in the Settlement Agreement it agreed to lesser rate reductions than it initially sought as a "reasonable resolution of heavily contested issues."¹¹ According to Verizon Access, reduction of Embarq's excessive intrastate access rates promotes competition in Washington's telecommunications markets and diminishes harm to Washington consumers.¹²

27 Similarly, Embarq views the phased reduction of its ITAC as reasonable because it allows time for the company to pursue steps it believes necessary to address intrastate universal service funding issues.¹³

28 AT&T did not join in the settlement but also did not oppose the proposal. AT&T insists that "intrastate switched access rates must be brought down to the carrier's interstate access rate level and structure."¹⁴ However, despite characterizing the agreed rate reductions as too small and not implemented quickly enough, AT&T

¹¹ Narrative, at paragraph 11.

¹² *Id.*, at paragraphs 12-14.

¹³ *Id.*, at paragraphs 22-23 and 29-31; *see also* TR., Vol. IV, at 141:22 – 142:6.

¹⁴ AT&T's Comments on Settlement Agreement, at paragraph 3. Interstate access rates are governed by the Federal Communications Commission, not the UTC.

believes the Settlement Agreement is reasonable and makes “progress in the right direction.”¹⁵

- 29 Commission Staff (Staff) also did not join in the settlement but contends that the agreement is in the public interest, noting that the Commission previously eliminated CCL charges for both Qwest and Verizon NW and that Staff was advocating for that same result in this proceeding.¹⁶ Staff also agrees with lowering the ITAC over time, but Staff would have fully eliminated the ITAC over a slightly longer period.¹⁷ Nevertheless, given the similarity of Staff’s litigation position with the ultimate resolution reached by the settling parties, Staff recommends that we accept and approve the Settlement Agreement.¹⁸
- 30 As part of our assessment of the merits of the Settlement Agreement we note there is an inherent tension between the rates telecommunications carriers impose on each other for transporting and terminating calls that traverse multiple networks and the rates that each carrier imposes on its own end users. In particular, we are acutely aware of the historical context in which some intrastate access rates were established and the delicate “balance” originally intended between affordable local telephone rates, promotion of telecommunications competition in multiple market segments, and the sustainability of universal service. Indeed, it is generally recognized that lower rates are in the public interest and that rates in remote and rural areas should be comparable to those assessed on consumers in more dense urban areas of the state. Higher intercarrier compensation, such as the disputed intrastate access charges at issue in this proceeding, have traditionally supported and promoted lower local telephone rates particularly in the more rural and remote operating areas served by Embarq. Yet lower intercarrier compensation rates require carriers to recover more of their ongoing investment and operating costs from their own end users, a condition that is clearly necessary in an increasingly competitive market. As competition supplants traditional monopoly-based delivery of telecommunication services there is a compelling need to revisit this balance, particularly the intercarrier compensation rates that competing companies impose on each other.

¹⁵ *Id.*, at paragraph 2.

¹⁶ Staff’s Public Interest Analysis, at pages 2-4.

¹⁷ *Id.*, at pages 4 and 10.

¹⁸ *Id.*, at pages 11-14.

- 31 Here, the parties to the Settlement Agreement propose to reduce Embarq's intrastate access rates which they contend, and we expect, will eventually lead to a measurable benefit for Washington's consumers in the form of lower long distance rates and more attractive calling plans.¹⁹ Additionally, reducing Embarq's access rates will require the company to look to other sources, particularly its own end users, to address any revenue shortfalls or earnings deficiencies it observes as a result of the rate reductions it has voluntarily agreed to in the Settlement Agreement. The Settlement Agreement requires an immediate elimination of Embarq's CCL charge and material reduction of Embarq's originating local switching charge. These reductions are combined with a phased approach to reducing by half, Embarq's ITAC rate element by January 2012. In our view, the proportion and pace of the proposed rate reductions between Embarq and the IXCs are being accomplished in a deliberate and responsible fashion designed to follow the nationwide trend to reduce intercarrier compensation rates toward actual costs without imposing an abrupt upward adjustment to Embarq's local rates.
- 32 We recognize that the rates established by the Settlement Agreement may not remain in place over an extended period of time, but we accept and concur with their downward direction. We specifically note that Embarq originally implemented its *interim* terminating access charge (ITAC) in 1998, more than a decade ago. As recommended by Commission Staff, we agree that this rate element should eventually be eliminated. Indeed, the extended longevity of the ITAC makes mockery of its temporary or "interim" nature.²⁰ We concur with the settling parties as well as AT&T and Commission Staff that reducing Embarq's ITAC by half in this docket is an important and significant step in the right direction.
- 33 Embarq recently transferred control of its regulated Washington State operating subsidiaries to Century Tel, Inc. In conditionally approving a settlement agreement proposed in the proceeding governing that transaction, the Commission required the

¹⁹ We recognize that a reduction in access rates imposed between telecommunications companies does not necessarily lead directly to a reduction in retail rates charged to consumers. *See* TR., Vol. IV, at 115:18 – 123:23 and 125:6 – 129:25. Nevertheless, we expect that Verizon Access, AT&T, and other similarly situated IXCs will pass along some of their intrastate access charge cost savings to Washington customers, thereby fulfilling our goal of ensuring and maintaining a healthy and competitive marketplace in our state.

²⁰ TR., Vol. IV, 135:8-10.

combined company to file a petition for an alternative form of regulation (AFOR) under RCW 80.36.135 or any subsequent AFOR law within five years after the close of the merger.²¹ Moreover, the Commission specifically required the filing of annual reports setting out the costs and synergy savings of the merger to ensure that the promised benefits of the proposed transaction would be identified and tracked to ensure they flow properly to Washington consumers. This requirement was intended to preserve the Commission's and any other parties' ability to address any synergy benefits resulting from the merger in any future revenue requirement review or general rate case proceeding before the Commission. We are concerned that the financial synergies pointed to by the parties in the merger proceeding will be looked to by the company as a direct offset to the intrastate access charge revenue reductions contemplated in the Settlement Agreement at issue in this proceeding. We put Embarq on notice that the stipulated intrastate rate reductions in the Settlement Agreement should not interfere with or disturb the contemplated synergies and flow through of the benefits of the merger to its own end users in Washington.

34 Finally, the lack of a termination date for the Settlement Agreement clause prohibiting Verizon Access from seeking any further reductions to Embarq's intrastate access charges gives us pause.²² The language contains no limitations as to time and would appear to extend into perpetuity, precluding Verizon Access from ever filing another formal complaint against Embarq regarding intrastate rates. We recognize this restriction against Verizon Access does not impact any other CLEC or IXC and similarly does not hamstring Commission Staff from future proceedings involving such reductions. The language apparently does not bind any potential successors of Verizon Access.²³ Therefore, we have determined that eliminating Verizon Access from playing any role in future challenges to the level of Embarq's intrastate access rates should not weigh against our approval of the Settlement Agreement.

²¹ In the Matter of the Joint Application of Embarq Corporation and CenturyTel, Inc., for Approval of Transfer of Control of the United Telephone Company of the Northwest d/b/a Embarq and Embarq Communications, Inc.; Order 05, *Final Order Approving and Adopting Settlement Agreement; Authorizing Transaction Subject to Conditions; Rescinding Order 03; Approving and Rejecting Side-Agreements; Granting and Denying Pending Requests for Leave to Withdraw; Dismissing Party* (May 28, 2009), at paragraphs 33-34, 50, and 98-101.

²² Settlement Agreement, at paragraph 8, subparagraph 2(c).

²³ Interestingly, if read so broadly as to include successors in interest, following a hypothetical future merger or acquisition where Verizon Access became part of Embarq, this term could preclude Embarq from ever again advocating for their own rate reductions.

35 In sum, all parties to this proceeding support the Settlement Agreement because it reduces Embarq's intrastate switched access rates to more reasonable levels and the evidence supports a finding that the Settlement Agreement's terms are a reasonable resolution of the issues. Considering all of the information available in the record, we find and conclude that approval and adoption of the Settlement Agreement is in the public interest.

36 In recognition of the importance of not losing track of duties and deadlines agreed to in the Settlement Agreement or set out in this Order, we include a Summary of Required Actions as an Appendix.

FINDINGS OF FACT

37 Having discussed above in detail the evidence received in this proceeding concerning all material matters the Commission now makes and enters the following summary of those facts, incorporating by reference pertinent portions of the preceding detailed findings:

38 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including telecommunications companies, and to hear complaints of competitive telecommunications companies against other telecommunications companies.

39 (2) 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. (collectively "Verizon Access"), the complainants, are all competitive telecommunications companies authorized to do business in the state of Washington.

40 (3) United Telephone Company of the Northwest (Embarq), the respondent, is an incumbent local exchange telecommunications company.

41 (4) Embarq's current intrastate access charges are higher than necessary to recover actual costs for providing interexchange carriers access to Embarq's local facilities in Washington.

- 42 (5) The parties propose to resolve the issues in this proceeding via the Commission's approval and adoption of their Settlement Agreement filed on August 13, 2009, which is attached to, and made a part of, this Order.

CONCLUSIONS OF LAW

43 Having discussed above all matters material to this decision, and having stated its findings, the Commission now makes the following summary conclusions of law, incorporating by reference pertinent portions of the preceding detailed conclusions:

- 44 (1) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and parties to, these proceedings.
- 45 (2) The high level of Embarq's existing rates for providing intrastate switching service in Washington hinders interexchange carriers' ability to compete in Washington.
- 46 (3) The Settlement Agreement lowers Embarq's intrastate access charges and is consistent with the public interest and should be approved.
- 47 (4) The rates resulting from adoption of the Settlement Agreement shall be in force under Embarq's tariffs prospectively from an effective date of January 1, 2010, for the switched access services the Company provides to interexchange carriers in Washington.
- 48 (5) A Commission order establishing a rate structure for a regulated company upon a factual record does not bar the Commission from determining on another record that a different structure is required by the application of law to facts found upon a different factual record. *RCW 80.04.110, RCW 80.04.200, RCW 80.04.210.*
- 49 (6) The Commission's Executive Director and Secretary should be authorized to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 50 (7) The Commission should retain jurisdiction over the subject matters and the parties to this proceeding to effectuate the terms of this Order.

ORDER

THE COMMISSION ORDERS THAT:

- 51 (1) The Settlement Agreement attached and incorporated into this Order by prior
reference is approved and adopted.
- 52 (2) United Telephone Company of the Northwest is authorized and required to file
tariff sheets following the effective date of this Order that are necessary and
sufficient to effectuate its terms. The initially required tariff sheets must be
filed at least three business days prior to their stated effective date, January 1,
2010. Subsequent tariff sheets must also be filed at least three business days
prior to their stated effective dates in January 2011 and January 2012.
- 53 (3) The Commission's Executive Director and Secretary is authorized to accept by
letter, with copies to all parties to this proceeding, filings that comply with the
requirements of this Order.
- 54 (4) The Commission retains jurisdiction to effectuate the terms of this Order.

Dated at Olympia, Washington, and effective November 12, 2009.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-07-870.

APPENDIX
SUMMARY OF EMBARQ'S REQUIRED ACTIONS²⁴
DOCKET UT-081393

REQUIREMENT	DEADLINE	ORDER PARAGRAPH(S)
Tariff Filing – Eliminating Carrier Common Line Charge, effective January 1, 2010	December 29, 2009	31 & 51-53 (Settlement ¶ 8, subparagraph 1a)
Tariff Filing – Reducing Originating Intrastate Local Switching Rate to \$0.0158172 per minute, effective January 1, 2010	December 29, 2009	31 & 51-53 (Settlement ¶ 8, subparagraph 1b)
Reduce Interim Terminating USF Additive (also called Interim Terminating Access Charge or “ITAC”) from \$0.064851 per minute to \$0.048638 per minute (i.e., by 25 percent), effective January 1, 2011	December 28, 2010	31-32 & 51-53 (Settlement ¶ 8, subparagraph 2a)
Further Reduce ITAC from \$0.048638 per minute to \$0.032426 per minute (i.e., by additional 25 percent), effective January 1, 2012	December 27, 2011	31-32 & 51-53 (Settlement ¶ 8, subparagraph 2a)

²⁴ This Appendix provides a summary of actions the Company must take under Order 05 in Docket UT-081393. This summary is provided for the convenience of the parties and is not intended to replace or modify the requirements of Order 05 or the Settlement Agreement. If this summary inadvertently does not include requirements contained in the order, the parties are not excused from complying with any and all requirements of the order.

APPENDIX

**SETTLEMENT AGREEMENT
DOCKET UT-081393**