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August 26, 2002

Marjorie Schaer  
Administrative Law Judge  
Washington Utilities and Transportation Commission P. O. Box 47250  
Olympia, Washington 98504-7250

Re:

*AT&Tv. Verizon*, Docket No. UT-O20406

Dear Judge Schaer:

Commission Staff has reviewed AT&T's letter of August 21, 2002, and Verizon's letter in response filed on August 22, 2002. Staff concurs with the concerns expressed by AT&T regarding the proposed schedule currently pending before the Commission, and supports AT&T's efforts to obtain resolution of the issues presented in its complaint in a reasonable amount of time. Staff believes that the new schedule proposed by AT&T is reasonable and feasible.

While Staff agrees that Verizon is entitled to present its defense to the issues raised in the complaint, Staff does not believe it is necessary to address Verizon's rate design issues at this time. As Verizon points out, Staff previously noted that Verizon's defense might include evidence of Verizon's overall profit levels, and its opportunity to earn a reasonable return. However, if Verizon's defense is that access charges should not be reduced because that would result in insufficient earnings, it does not need cost models to make that case. Verizon already has the information, in its financial reports, to show its earnings before and after an access charge reduction. (Verizon's purported need for new cost models was the primary factor for its original proposal to extend the schedule in this case over nearly a year.)

Marjorie Schaer, **ALJ**

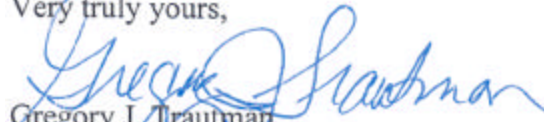
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If Verizon has a point to make about the incremental costs of various services, there is plenty of information available for that purpose. In particular, the generic cost case (Docket Nos. UT-960369 and UT-OO3013) has established costs that, while Verizon may not agree with them, are the Commission's decisions on cost issues. In any event, it is not necessary to address rate design issues at this time.

If Verizon wishes to pursue these issues, it may do so in a separate case, including a general ratemaking proceeding

Very truly yours,



Gregory J. Trautman  
Assistant Attorney General

GJT:kl

cc: All Parties