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August 8, 1997

VIA HAND DELIVERY

Steve McLellan, Secretary
Washington Utilities
and Transportation Commission
1300 S. Evergreen Park Dr. S.W.
Olympia, WA 98504

Re: Petition for Investigation into the Cost of Universal
Service and to Reform Intrastate Carrier Access Charges

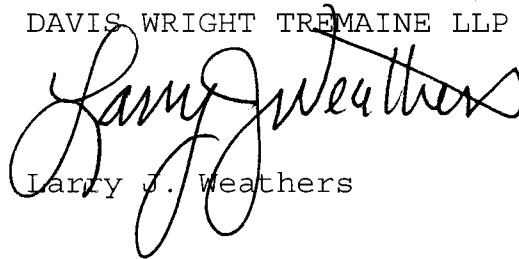
Dear Mr. McLellan:

Enclosed for filing on behalf of AT&T Communications of the Pacific Northwest, Inc., are an original and 19 copies of the above-referenced petition. I am also enclosing a diskette containing this filing in Wordperfect 5.1 format.

True and correct copies of the petition are being sent by certified mail to all potentially interested parties known to the petitioner.

Sincerely yours,

DAVIS WRIGHT TREMAINE LLP



Larry J. Weathers

Enclosures

cc: Daniel Waggoner
Susan Proctor
Service List

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Seattle

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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition)
for Investigation into the Cost) DOCKET NO.
of Universal Service and to)
Reform Intrastate Carrier)
Access Charges)
_____)

I. INTRODUCTION

1. **Relief Sought.** AT&T Communications of the Pacific Northwest, Inc. ("AT&T") hereby petitions the Commission to commence an investigation of the forward-looking costs of preserving and advancing universal telephone service in Washington and, based on this investigation, (1) to adopt an explicit system for financing any necessary support for universal service in this State not otherwise provided through universal support mechanisms and subscriber line charges under the jurisdiction of the Federal Communications Commission ("FCC") and (2) to ensure that any such funding mechanism is competitively neutral pursuant to RCW 80.36.080 and Sections 253 and 254 of the Telecommunications Act of 1996 ("Act").

II. JURISDICTION

2. **State Law.** As set forth in more detail herein, this Commission has the statutory authority under RCW 80.01.040, RCW 80.36.080, and RCW 80.36.140 to establish competitively

1
2 neutral rates for the intrastate access charges paid by carriers
3 which help to support the cost of maintaining affordable local
4 service. This Commission also has the statutory jurisdiction to
5 conduct investigations and reopen or revise orders previously
6 entered by the Commission pursuant to RCW 80.01.070 and
7 RCW 80.36.145.

8 **3. Federal Law.** The Commission's jurisdiction is also
9 based on 47 U.S.C. § 254(f), which authorizes the Commission to
10 adopt regulations "not inconsistent" with the FCC's rules with
11 respect to the advancement and preservation of universal service.
12 Section 254(f) also states:

13 Every telecommunications carrier that
14 provides intrastate telecommunications
15 services shall contribute, on an equitable
16 and nondiscriminatory basis, in a manner
17 determined by the State to the preservation
18 and advancement of universal service in that
19 State.

20 The FCC and the Joint Board relied on this provision and similar
21 provisions in concluding that universal support payments by
22 carriers must be collected in a competitively neutral manner:
23

24 We find that the competitively neutral
25 collection and distribution of funds and
 determination of eligibility in the universal
 service support mechanism is consistent with
 congressional intent 'to provide for a pro-
 competitive, deregulatory national policy
 framework.'

26 See In the Matter of Federal-State Joint Board on Universal
27 Service, "Recommended Decision," Dkt. 96-45 (Nov. 8, 1996) at
28 ¶ 23 ("Joint Board Decision").

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PETITION TO INVESTIGATE UNIVERSAL SERVICE COST - 2

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Seattle

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2 **III. BACKGROUND**

3 **4. Effective Competition.** This proceeding grows out of,
4 and is related to, prior action by this Commission to reform
5 access charges imposed by local exchange carriers ("LECs"),
6 including independent telephone companies operating ("Independent
7 Companies" or "ICOs") in Washington. More than ten years ago,
8 Washington's still-dominant LEC (Pacific Northwest Bell or "PNB")
9 argued to this Commission that it should not bear the
10 disproportionate access cost burden associated with jointly
11 provided intraLATA toll service and thus subsidize the business
12 of its intraLATA competitors, the ICOs. At that time, AT&T faced
13 a similar quandary if it sought to enter the intraLATA market and
14 was also subject to a similar immediate impact in the interLATA
15 market. Now, approximately ten years later, AT&T continues to
16 face a similar competitive harm: if access charges are not
17 reformed by bringing them down to forward-looking economic cost,
18 AT&T will be subsidizing the business of its current or future
19 competitors in the interLATA long distance market, such U S WEST
20 Communications, Inc. ("U S WEST") and GTE Northwest, Inc.
21 ("GTE"). In both this proceeding and in the proceeding initiated
22 by U S WEST's predecessor (PNB) in the mid-1980s, the impact of
23 access reform on universal service was a major concern.
24 Consistent with its prior actions, the Commission should,
25 therefore, investigate the forward-looking costs of universal

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2 service in Washington and address the inextricably intertwined
3 issue of access charges at the same time.

4 **5. Docket U-85-23.** Shortly after the divestiture of the
5 Bell System, PNB filed certain tariff revisions (WUTC No. UTF85-
6 122) designed to reduce certain rates for PNB's WATS and 800
7 services and to offset this reduction with increases in rates
8 charged for special channel access such as private line rates.
9 The Commission suspended this tariff by Complaint and Order dated
10 May 8, 1985, under Cause No. U-85-23 ("Docket No. U-85-23").
11 Ultimately, Docket No. U-85-23 became an omnibus proceeding that
12 consolidated various actions, including:

13 a. An action by AT&T against PNB and other LECs
14 alleging that charges for access and for billing and collection
15 services were excessive, and in some cases, discriminatory and
16 anticompetitive. In its petition, AT&T alleged that over 75% of
17 its total revenues for providing interexchange services in
18 Washington had to be paid over to PNB for access and billing
19 services, stifling AT&T's ability to compete and failing to allow
20 AT&T to receive reasonable compensation for services it renders.
21 AT&T also contended that PNB charge its own customers
22 substantially less for virtually identical services rendered by
23 PNB on behalf of AT&T's customers, resulting in gross price
24 disparities that discriminated against AT&T's ability to compete
25 against PNB in various markets, including intraLATA long distance
service;

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b. A petition by PNB asking the Commission to approve a plan for determining and collecting the traffic sensitive and nontraffic sensitive revenue requirements of all LECs operating in Washington (including all ICOs) and to make this revenue allocation competitively neutral among all LECs to account for the fact that they competed against each other for the provision of intraLATA toll service. In its petition, PNB contended that the then-existing intraLATA access charge system had "become inappropriate in the current competitive environment of the industry, and would be an unjust, unreasonable and inequitable method of compensation among exchange carriers for jointly-provided services" for several reasons. See PNB Petition to Fix Compensation, Docket No. U-85-23 (at pp. 8-9) (emphasis added); and

c. A complaint by the Washington Independent Telephone Association ("WITA") asking the Commission to establish a division of revenues for jointly-provided service in the intraLATA market.

6. Commission Order. The Commission adjudicated the primary issues in Docket No. U-85-23 by entering its Eighteenth Supplemental Order on December 30, 1986 ("18th Supplemental Order"). The 18th Supplemental Order addressed in a comprehensive manner the structure of access charges for intraLATA and interLATA toll calls. As pertinent here, the Commission found that, as PNB had been concerned, "independent companies operating

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2 in rural areas of the state have been subsidized by old pooling
3 arrangements" (18th Supplemental Order at 7) and that access
4 charges must be applied on a nondiscriminatory basis and that
5 PNB, as the owner of a local network, must charge itself access
6 charges for engaging in toll service equal to the access charges
7 imposed on other interexchange carriers ("IXCs") such as AT&T.
8 See 18th Supplemental Order at 21.

9 **7. Rate Proceeding.** This Commission has recently taken
10 steps to reduce the access charges imposed by U S WEST on IXCs
11 for originating or terminating long-distance calls through the
12 local network. In Docket No. UT-950200, this Commission noted:
13 "It is not a matter of dispute that access charges greatly exceed
14 the incremental cost of access." See Washington Utilities &
15 Transportation Commission v. U S WEST Communications, Inc.,
16 Docket No. UT-950200, 15th Supp. Order, at pp. 110-111 (Apr. 11,
17 1996) ("U S WEST Rate Case Order"). The Commission ordered a
18 reduction in access charges of approximately \$29 million,
19 consisting of \$22 million in access charges paid by IXCs and
20 \$7 million in access charges by ICOs with an additional
21 \$5.3 million phased in over the following two years. Id. at 111.
22 This Order is currently on appeal by U S WEST to the Washington
23 Supreme Court.

24 **8. Recent Proceeding to Reform Access Charges.** Recently,
25 MCI Telecommunications Corporation ("MCI") brought a formal
complaint against GTE Northwest Inc. ("GTE") to obtain relief

1 from unreasonably high access charges imposed by GTE. See MCI
2 Communications Corporation v. GTE Northwest Inc., Docket
3 No. UT-970653. On May 7, 1997, GTE moved to dismiss the MCI
4 complaint, arguing that access reform should take place in a
5 comprehensive proceeding, rather than the complaint process. GTE
6 conceded in its Motion for Dismissal that access reform is
7 desirable and quarreled only with the form of the proceeding.
8

9 **9. Continuation of Reform.** Building on the methodology
10 and analysis established in Docket No. UT-950200, this Commission
11 should extend the scope of reform to apply to all LECs operating
12 in Washington, including GTE and the ICOs. Such further reform
13 is appropriate not only in light of the Commission's precedent,
14 but also by the sweeping reforms ushered in by the Act.

15 **IV. CHANGES IN FEDERAL LAW SINCE DOCKET NO. 85-23**

16 **10. Changes in the Regulatory System Caused by the Act**
17 **Necessitate this Proceeding.** The Act contemplates a trilogy of
18 actions intended to foster competition in the telecommunications
19 industry: (1) opening the local exchange network and exchange
20 access markets to competitive entry through cost-based inter-
21 connection and unbundling, (2) reforming interexchange access
22 charges, and (3) reforming the system of universal service
23 consistent with a competitive local exchange market. See In the
24 Matter of Implementation of Local Competition Provisions in the
25 Telecommunications Act of 1996, CC Docket No. 96-98, FCC 96-325
(Aug. 8, 1996) ("Local Competition Order"), ¶ 3, 6-8. Access

1 reform in particular is intertwined with universal service
2 reform:
3

4 The Act also recognizes . . . that universal
5 service cannot be maintained without reform
6 of the current subsidy system. The current
7 universal service system is a patchwork quilt
8 of implicit and explicit subsidies. Those
9 subsidies are intended to promote telephone
10 subscribership, yet they do so at the expense
11 of deterring or distorting competition.

12 See Local Competition Order, ¶ 5 (emphasis added).

13 **11. Definition of Access Services.** "Access" encompasses
14 both switched and special access services. Through special
15 access provided by an ILEC, a long distance carrier connects to a
16 specific customer via a dedicated line. Switched access involves
17 essentially two functions: switching and transport through the
18 ILEC's local exchange facilities. The Commission is more than
19 familiar with the network functions used in the provision of
20 access services; they are identical to certain of the unbundled
21 network elements adopted by the Commission (and many other state
22 commissions) in the AT&T/U S WEST arbitration proceeding. See
23 Docket No. UT-960309. The specific access services most relevant
24 here are switching and transport, including common transport
25 facilities and dedicated transport facilities.

26 **12. Cost of Providing Access.** The actual costs incurred by
27 U S WEST and GTE for providing switching and transport are small
28 fractions of the prices paid by AT&T in Washington to complete
29 toll calls. Moreover, the costs incurred by U S WEST and GTE do

1 not depend on the volume of access and the local network, nor are
2 they a function of access usage, because the cost of maintaining
3 the copper wire local loop between the end user and the end-
4 office switch of the LEC is not traffic sensitive. See "Notice
5 of Proposed Rulemaking, Third Report and Order, and Notice of
6 Inquiry," In the Matter of Access Charge Reform, FCC Docket No.
7 96-262 (Dec. 24, 1996) ("Access Charge Reform NPRM") at ¶ 41-42.
8 Nevertheless, IXCs such as AT&T are forced to pay (and pass on to
9 consumers through high toll charges) access fees for having calls
10 transported through the local loop based on per-minute charges
11 for use (i.e., per-minute charges). In addition, the cost of
12 providing exchange access is a declining, not increasing, cost
13 generally. Thus, current access charges are not based on the
14 actual, forward-looking cost of providing the services.

15 **13. The CCLC Is Not Sustainable.** The costs generally
16 considered recovered by the Carrier Common Line Charge ("CCLC")
17 include the non-traffic sensitive capital costs and maintenance
18 expense related to loop plant, drop wire facilities, and some
19 non-traffic sensitive central office equipment. These costs are
20 the result of customer subscription to the network and would
21 exist for the incumbent LEC even if it did not provide access to
22 IXCs. Moreover, since the CCLC is assessed on a per-minute
23 basis, while loop costs do not vary with the minutes of use
24 transmitted, prices in both local and long distance markets are
25

1 distorted and overall economic efficiency is reduced. Access
2 Charge Reform NPRM, ¶ 57; see also Joint Board Decision, ¶ 755.

3
4 **14. FCC Recognition of Violations Inherent in Access**
5 **Charges.** The FCC recently noted that the CCLC "appears to
6 constitute a universal service support flow" assessed in
7 violation of the Act's directive that support be "explicit" and
8 that it be collected on an equitable and nondiscriminatory basis.
9 See Access Charge NPRM, ¶¶ 113-114; see also Joint Board
10 Decision, ¶ 756. Moreover, this Commission recently concluded
11 that the CCLC "has outlived its function and it is time to retire
12 it as a specific rate element of switched access." U S WEST Rate
13 Case Order at 113. Consequently, the CCLC is contrary to the
14 Act's requirement that prices reflect the manner in which costs
15 are incurred and should be eliminated from the tariffs or rate
16 structures of all LECs and ICOs operating in Washington. Joint
17 Board Decision, ¶ 754.

18 **15. The Residual Interconnection Charge (RIC) Is Also an**
19 **Unsustainable Subsidy.** The RIC is a usage-sensitive, per-minute
20 charge assessed on switched access traffic, including that of
21 competitors that interconnect with the incumbent LEC switched
22 access network through expanded interconnection. The usage-rated
23 RIC increases the per-minute access charges paid by IXCs such as
24 AT&T and long distance consumers, thus artificially suppressing
25 demand for such services and encouraging customers to bypass the
incumbent LEC switched access network. As with the CCLC, the RIC

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1 cannot be sustained because it is calculated according to usage
2 even though the cost of providing access service is not usage
3 sensitive and because it is a pure subsidy. In the U S WEST Rate
4 Case Order, this Commission also declined to allow U S WEST to
5 impose a RIC, a "simple" decision having concluded that the CCLC
6 should be eliminated. See U S WEST Rate Case at 114. This
7 decision should be extended to all LECs within Washington.
8

9 **16. The Act Mandates Cost-Based Pricing.** Based on the
10 foregoing, the CCLC, the RIC and other rate elements in switched
11 and special access not based on a demonstrated cost violate the
12 policies mandated by the Act, including, without limitation,
13 Section 252(d) and the cost-based principles articulated by the
14 Commission in Docket No. UT-950200. The FCC has held that
15 reducing access rates to "more cost-based and economically
16 efficient levels" is essential to the development of competition.
17 See Local Competition Order, ¶ 716. Moreover, such action is
18 consistent with the FCC's and this Commission's conclusion that
19 rates for interconnection, call termination and unbundled network
20 functions be based on cost. Id., ¶ 620, ¶ 1054; In re Petition
21 for Arbitration of Interconnection Agreement, Docket
22 No. UT-960309, Arbitrator's Report and Decision at pp. 39-44
23 (Nov. 27, 1996). There is no reason to price the functions
24 constituting access any differently.

25 **17. Access Charges Should Be Based on Demonstrated Economic
Cost.** Correctly measured, economic cost should: (1) be

1 forward-looking; (2) apply least-cost technology; (3) measure
2 incremental costs; (4) apply to the long run; and (5) be
3 consistent with cost-causation. This is the appropriate cost to
4 utilize because prices would be driven towards economic costs in
5 a competitive market. Economic costs can be contrasted with
6 historical or embedded cost, which may include cross subsidies,
7 inefficiencies, or reflect the use of technology that is no
8 longer state of the art. Economic cost of the network elements
9 used for purposes of accessing the local network should be
10 measured by the total element long-run incremental cost
11 ("TELRIC"), plus a reasonable portion of shared and common costs.
12

13 **18. Price Squeeze.** Inflated access charges give U S WEST
14 and GTE unfair competitive advantage in today's toll market and
15 in current and future interLATA competition because they enable
16 LECs to engage in "price squeezes" against carriers competing
17 against them in the long distance market. Access Charge Reform
18 NPRM, ¶ 47. As this Commission knows, GTE is already in the
19 long-distance market and U S WEST may gain entry to long distance
20 markets after, among other things, meeting the terms of a
21 "competitive checklist". Access Charge NPRM, ¶ 4. As long as
22 AT&T is dependent on U S WEST and GTE for most of its switched
23 access, it is burdened with artificially inflated access costs
24 which the ILEC itself would not incur were it to provide long
25 distance service. This artificial price advantage enables
U S WEST and GTE to "squeeze" margins earned by AT&T by way of

1 aggressive price reductions for long distance service provided by
2 ILEC. Congress could not have intended to permit incumbent LECs
3 such as U S WEST and GTE to cross subsidize their entry into the
4 long distance market with profits reaped from anticompetitive
5 rate elements obtained by virtue of their control of monopoly
6 local exchanges. On the contrary, such subsidies contravene a
7 established policy against using rates earned from a noncompeti-
8 tive arena to subsidize the regulated provider's ventures in
9 competitive fields. See 47 U.S.C. § 254(k). As the Washington
10 Legislature has declared, it is the policy of Washington to:
11

12 Ensure that rates for noncompetitive tele-
13 communications services do not subsidize the
14 competitive ventures of regulated telecom-
15 munications companies.

16 RCW 80.36.300(4) (emphasis added).

17 **19. Excessive Access Rates Are Economically Inefficient.**

18 Current access rates, by exceeding economic costs by an enormous
19 margin, also create economic inefficiencies resulting in
20 distortion of both usage of long distance services and IXC choice
21 of access arrangements, including the following:

22 a. Use of long distance service is suppressed due to
23 artificially high access rates which, in turn, lead to high
24 retail rates. The FCC recently noted the anticompetitive effect
25 of the Transport Interconnection Charge (or "TIC") which is
26 equivalent in nature to the RIC:

 The usage-rated TIC increases the per-minute
 access charges paid by IXCs and long-distance

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2 consumers, thus artificially suppressing
3 demand for such services and encouraging
4 customers to bypass the LEC switched access
5 network. . . .

6 Access Charge NPRM, ¶ 97. The FCC found the "TIC therefore will
7 be unsustainable" based on these grounds. Id., ¶ 112. Consumers
8 will enjoy reduced toll costs -- and a corresponding increase in
9 usage -- once access charges are reduced to cost.

10 b. An IXC is motivated to bypass the local exchange
11 entirely for certain customers simply because access rates are so
12 prohibitive:

13 Current access charges distort competition in
14 the markets for local exchange access. Our
15 access charge rules create incentives for
16 IXCs to bypass the LEC switched access
17 network for reasons that have nothing to do
18 with the economics of operating an access
19 network.

20 Access Charge NPRM, ¶ 42 (emphasis added).

21 c. Because access charges include usage based
22 recovery of non-traffic sensitive costs, large volume toll users,
23 residential and business, overpay the costs they impose on the
24 system. Similarly, low volume users underpay the costs they
25 impose. These distortions are without regard to the respective
ability to pay of consumers and thus distort economic
efficiencies.

26 **20. Barrier to Entry.** In the current local access and
27 service market, the subsidy to incumbent LECs is not portable to
28 new entrants and therefore creates a formidable barrier to entry

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2 discriminating against competition. The Act is designed to
3 promote competition in the access market. If allowed to persist,
4 the current regime of access fees (paid only to incumbent LECs
5 and not new entrants) would stifle competition by conferring
6 windfall subsidies on incumbents such as U S WEST and GTE. The
7 fees are simply not sustainable in the world of alternative
8 access providers.

9 **21. Pass Through of Savings.** AT&T pledges to pass onto its
10 intrastate toll customers in Washington the savings achieved by
11 reducing U S WEST's and GTE's access charges to economic cost if
12 such reductions are ordered by the Commission in this proceeding
13 or any companion case, net of universal service contributions.
14 Similar savings have already been passed on by AT&T to consumers
15 of toll services on the interstate jurisdiction.

16 **V. PRINCIPLES GOVERNING UNIVERSAL SERVICE REFORM**

17 **22. Computation of Support.** Any support for universal
18 service must be calculated to comply with certain principles
19 defined in the Act. First, just as PNB argued in Docket
20 No. 85-23, all providers must contribute on a competitively
21 neutral and "equitable and nondiscriminatory" basis. See 47
22 U.S.C. § 254(b)(4); Joint Board Decision, ¶ 3. Second, universal
23 service support must be "explicit" and directly targeted to
24 support "only" the cost of providing universal service. See
25 Joint Board Decision, ¶ 755. Third, universal service cost
recovery mechanisms must not have the "effect of prohibiting the

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2 ability of any entity to provide any interstate or intrastate
3 telecommunications service." See 47 U.S.C. § 253(a) (emphasis
4 added). Fourth, the Act requires universal service support
5 mechanisms to be "specific" and "predictable". See 47 U.S.C.
6 §§ 254(b)(5), 254(f).

7 **23. Computation of Universal Service Support.** The Joint
8 Board in its Recommended Decision set a general framework for
9 computing the necessary level of any universal service support.¹
10 In general terms, the first element is to define the nature and
11 extent of services to be supported. See Recommended Decision at
12 ¶ 45-53.² Next, the forward-looking cost of providing these
13 supported services to subscribers in high cost areas should be
14 determined by using a cost proxy model. See Recommended
15 Decision, ¶ 183-184. Third, the Joint Board suggested the use of
16 a national benchmark amount based on a nationwide average of
17 revenue-per-line. Id., ¶ 311. By subtracting the national
18 benchmark from the cost derived from the use of the cost proxy

19 ¹ The Joint Board recognized that computation of support is
20 somewhat different for smaller rural or independent companies.

21 ² In determining the services or functions to be included in
22 any universal service mechanism, AT&T recommends that the
23 Commission adopt the list of services recommended by the FCC
24 and/or Joint Board. For example, the Joint Board recommended the
25 following services be included: (1) voice-grade access to the
public switched network; (2) touch-tone or dual tone multi-
frequency or its functional equivalent; (3) single-party service;
(4) access to emergency services; (5) access to operator
services; (6) access to interexchange services; and (7) access to
directory assistance. See Joint Board Decision, ¶¶ 45-67.

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2 model, the federal fund is derived. A State, in turn, may
3 determine a state affordability rate and, if such rate is lower
4 than the national benchmark rate, the differential must be
5 derived from a state fund. Id., ¶ 299.

6 **24. Portability of Subsidy.** Consistent with the pro-
7 competitive mandate of the Act, any universal service subsidy
8 must be portable to any eligible provider, including competitive
9 local exchange carriers ("CLECs"). The portability of the
10 subsidy is essential to the advancement of competition in local
11 exchange markets because no new entrants, including CLECs, will
12 enter a high cost area unless the explicit subsidy is portable
13 with the subscriber. Conversely, prohibiting the portability of
14 the universal service subsidy would serve to entrench the
15 incumbent carrier and defeat the purpose of the Act.

16 **25. Analogy to Pricing of Local Network Elements.** The
17 basis for an appropriate pricing of supported service has been
18 established in the analogous context of pricing for unbundled
19 network elements. See Local Competition Order, ¶ 618-624, 635.
20 Many of these same facilities, such as common transport, tandem
21 switching and end office switching, are inherently part of the
22 structure necessary for the provision of the supported services.
23 They also should be priced at forward looking economic cost.
24 There is no basis -- economic, engineering, policy or otherwise
25 -- to distinguish the two services for pricing.

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2 **26. Proxy Model.** AT&T suggests that this Commission adopt
3 a proxy model such as the Hatfield cost model for determining the
4 cost of providing the supported services. This Commission has
5 found the Hatfield Model to be "the most reasonable and accurate
6 measure of incremental cost." See Washington Utilities and
7 Transportation Commission v. U S WEST Communications, Inc.,
8 Docket No. UT-950200, 15th Supp. Order (Apr. 1996) at p. 86.
9 Adoption of such a proxy model, moreover, may be a natural result
10 of this Commission's current investigation of incumbent LEC's
11 costs in the generic proceeding. See In the Matter of Pricing
12 Proceeding for Interconnection, Docket Nos. UT-960369, 960370 and
13 960371.

14 **27. Computation of Support from Intrastate Revenue.**

15 Consistent with FCC methodology, levels of support would be
16 determined generally by comparing the difference, if any, between
17 the national benchmark and the state affordability for geographic
18 area being supported. AT&T has always been a strong supporter of
19 universal service and remains so today. AT&T is committed to
20 contributing its fair share of any necessary support derived from
21 intrastate toll call revenues, provided that such contribution is
22 collected from other carriers on a competitively neutral basis
23 and the intrastate revenues have not been included in FCC's
24 computation of support levels. This Commission, in the course of
25 this proceeding, must therefore determine first whether any
funding from intrastate revenues not included in the funding base

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2 utilized by the FCC is necessary once the FCC has established its
3 rules. If such support is necessary, the Commission would then
4 have to establish a competitively neutral structure for collec-
5 tion of the required fund from all telecommunication providers
6 and their retail customers.

7 **VI. CONCLUSION**

8 **19. Relief Sought.** Accordingly, AT&T petitions the
9 Commission to:

10 A. Commence an investigation of the forward-looking
11 cost of providing the services embodied in the definition of
12 universal service;

13 B. Determine the amounts, if any, of legally
14 permissible support based on intrastate revenues needed to
15 subsidize universal service in high cost areas after taking into
16 account the FCC's final order on universal service reform and the
17 governing mandates of federal law;

18 C. Establish, to the extent necessary, an equitable,
19 nondiscriminatory and competitively neutral system for allocating
20 the burdens of any necessary subsidies arising out of intrastate
21 revenues to all providers;

22 D. Reopen and consolidate Docket No. 85-23 with this
23 petition in order to eliminate the CCLC and any other non-cost-
24 based carrier access charges currently in effect in Washington;
25 and

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E. Enter any further relief is may be just or equitable under the circumstances.

DATED this 6 day of August, 1997.

DAVIS WRIGHT TREMAINE LLP
Attorneys for AT&T Communications
of the Pacific Northwest, Inc.

By  / 
Daniel Waggoner
WSBA No. 9439

CERTIFICATE OF SERVICE

I hereby certify that an original and 19 copies of the pleading known as the **Petition for Investigation into the Cost of Universal Service and to Reform Intrastate Carrier Access Charges** was sent on behalf of petitioner AT&T Communications of the Pacific Northwest, Inc., via hand delivery on this 8th day of August 1997 to:

Steve McLellan, Secretary
Washington Utilities and
Transportation Commission
1300 S. Evergreen Park Dr. S.W.
Olympia, WA 98504

and true and correct copies were sent by certified mail to all potentially interested parties known to the petitioner AT&T Communications of the Pacific Northwest, Inc., on this 8th day of August 1997:

Charles T. Sharp
Asotin Telephone Company
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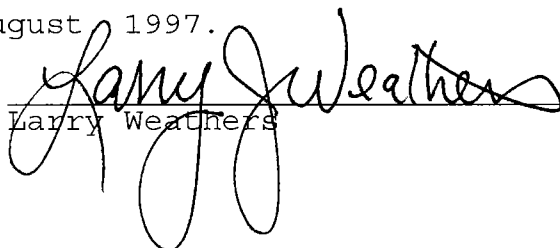
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DATED this 8th day of August 1997.


Larry Weathers