BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Review of: Unbundled Loop and Switching Rates; the Deaveraged Zone Rate Structure; and Unbundled Network Elements, Transport and Termination (Recurring Costs)	)	Docket No. UT-023003
In the Matter of the Review of: Unbundled Loop and Switching Rates; the Deaveraged Zone Rate Structure; and Unbundled Network Elements, Transport and Termination (Nonrecurring Costs)	)	Docket No. UT-033034 AT&T REPLY TO VERIZON RESPONSE TO JOINT MOTION TO EXCLUDE QWEST RATE ISSUES

AT&T Communications of the Pacific Northwest, Inc. ("AT&T") provides the following Reply to the Response of Verizon Northwest Inc. ("Verizon") to the Joint Motion to revise the scope of these proceedings to exclude Qwest Corporation's ("Qwest's) recurring and nonrecurring rates from Commission review in these proceedings ("Joint Motion"). Contrary to Verizon's representations, the reasoning underlying the Joint Motion is inapplicable to Verizon, and the Commission should continue to review Verizon's rates in these dockets.

1. Verizon fundamentally misapprehends the basis for the Joint Motion. The Joint Motion is based on a balance of the need to review Qwest's rates at this time and the Commission and party resources that would be required to undertake that review. Since the Commission originally established Qwest's and Verizon's unbundled network element ("UNE") rates in Docket No. UT-960369, Qwest has substantially lowered its rates. While AT&T continues to believe that these rates still exceed appropriate total element long-run incremental cost ("TELRIC") based levels, AT&T agrees

with Qwest and other parties that conservation of party resources in light of other ongoing proceedings – most notably the Triennial Review Order proceedings in Docket No. UT-033044 – outweighs the need to reexamine Qwest's current rates at this time.

2. The balance is very different for Verizon. Verizon continues to charge competing local exchange companies ("CLECs") the same rates that the Commission originally established, which in some cases are more than double Qwest's current rates for the same or comparable UNEs. Even the cost model that Verizon introduced in the last cost docket produced loop rates that were significantly lower than Verizon's current rates.[1] The result is that local competition is not developing in Verizon's local exchange service territory, even to the minimal level that competition has developed in Qwest's service territory.

3. Not only is the need to review Verizon's rates much greater than the need to review Qwest's rates, but the resource commitment is far less. Verizon, unlike Qwest, has not challenged the Federal Communications Commission ("FCC") presumption that competitors would be impaired without access to unbundled local switching and other UNEs. Indeed, Verizon is not involved in any other major Commission proceedings, giving rise to no concerns with respect to allocation of resources. The strong need to reexamine and lower Verizon's UNE rates thus far outweighs the resources required to do so.

4. Verizon ignores this analysis and focuses instead on changes that the FCC has proposed to its TELRIC standard. The FCC's reexamination of the TELRIC methodology is the least important factor supporting the Joint Motion. The FCC's implementation of the Telecommunications

[1] *See In re Continued Costing and Pricing of Unbundled Network Elements, Transport, and*

Act of 1996 ("Act") has been in a constant state of flux since February 1996, and unfortunately, no end to the changes and uncertainty is in sight. The Commission would never review Verizon's unbundled network element ("UNE") pricing if the Commission awaited the FCC's (and the courts') final word on costs and pricing. The Commission has previously rejected Verizon's claims in a related context in the prior cost docket that the Commission await such finality before establishing permanent pricing.[2]. The pendency of the FCC TELRIC rulemaking, without more, does not justify postponing Commission review of Verizon's excessive UNE rates.

5. Verizon further contends that the Commission has an "established principle" to review Verizon and Qwest cost cases together. The Commission, however, has decided to review Verizon and Qwest costs together *when the Commission is reviewing both companies' costs.* The Commission has never taken the position that it will review Verizon's costs *only* if the Commission also reviews Qwest's costs. To the contrary, the Commission approved Qwest's UNE rate reductions without also requiring a review of comparable Verizon rates, and Verizon introduced its cost model and related cost information in Docket No. UT-020406 without the Commission – or Verizon – ever suggesting that the Commission should also review Qwest's cost model and data. Whatever "principle" the Commission has established for comparing Qwest and Verizon cost data does not support postponing a review of Verizon's costs simply because Qwest's costs are no longer at issue.

6. Verizon's current UNE rates far exceed Verizon's forward-looking costs, and Commission and party resources would be well spent in reviewing those rates. The Commission,

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Terminations, Docket No. UT-003013, 38th Supp. Order, paragraphs 144-50 (Sept. 23, 2002).

[2] *Id*., Thirteenth Supp. Order, paragraph 384 (Jan. 2001) (rejecting Verizon's proposal that rates be established subject to true-up to later determined prices).

therefore, should grant the Joint Motion and deny Verizon's proposal to defer consideration of Verizon's rates in this proceeding.

DATED this 10th day of November, 2003.

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By ______________________________
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