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BEFORE THE ARIZONA CORPORATION COMMISSION

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**MARC SPITZER, CHAIRMAN**  
**WILLIAM A. MUNDELL**  
**JEFF HATCH-MILLER**  
**MIKE GLEASON**  
**KRISTIN K. MAYES**

2003 DEC -4 P 4: 17

AZ CORP COMMISSION  
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IN THE MATTER OF THE APPLICATION OF  
ALLTEL COMMUNICATIONS, INC. FOR  
DESIGNATION AS AN ELIGIBLE  
TELECOMMUNICATIONS CARRIER  
PURSUANT TO SECTION 214(e)(2) OF THE  
COMMUNICATIONS ACT OF 1934

Docket No. T-03887A-03-0316

**NOTICE OF FILING DIRECT  
TESTIMONY**

ALLTEL Communications, Inc. hereby gives notice that it files the attached direct  
testimony of Lawrence J. Krajci.

RESPECTFULLY SUBMITTED December 4, 2003.

ALLTEL COMMUNICATIONS, INC.

By

Arizona Corporation Commission

**DOCKETED**

DEC - 4 2003

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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DESIGNATION AS AN ELIGIBLE  
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COMMUNICATIONS ACT OF 1934

Docket No. T-03887A-03-0316

**DIRECT TESTIMONY OF  
LAWRENCE J. KRAJCI  
ON BEHALF OF  
ALLTEL COMMUNICATIONS, INC.**

**DECEMBER 4, 2003**

1 **Q: Please state your name, position, and business address.**

2 A. My name is Lawrence J. Krajci. I am Staff Manager of State Government  
3 Affairs for ALLTEL Communications, Inc. My business address is One Allied  
4 Drive, P.O. Box 2177, Little Rock, Arkansas 72203.

5 **Q: Please describe your educational background and experience.**

6 A: I received a Bachelor of Science Degree from Penn State University. I've been  
7 employed by ALLTEL for the past 20 years in a variety of sales, customer  
8 service, inter-company relations, and regulatory positions. I am presently  
9 responsible for representing ALLTEL Communications, Inc. and other  
10 ALLTEL subsidiary interests in state regulatory matters in Arizona, Arkansas,  
11 Colorado, Kansas, Michigan, Missouri, New Mexico, Ohio, and West Virginia.  
12 I have testified on regulatory matters before state public service/public utility  
13 commissions in Arkansas, Georgia, Missouri, New Mexico, Oklahoma,  
14 Pennsylvania, and Tennessee.

15 **Q: Please describe ALLTEL Communications, Inc.**

16 A: ALLTEL Communications, Inc. is a wholly-owned subsidiary of the ALLTEL  
17 Corporation system. As a telecommunications carrier licensed by the Federal  
18 Communications Commission ("FCC"), ALLTEL Communications, Inc.  
19 ("ALLTEL") provides commercial mobile radio service ("CMRS") to  
20 customers in Arizona Cellular Market Areas ("CMAs") #26 Phoenix MSA, #77  
21 Tucson MSA, #319 AZ RSA 2, #322 AZ RSA 5. ALLTEL also serves CMA #  
22 323 AZ RSA #6, however, this recently acquired service area is not included in  
23 this ETC application.

24 **Q: What is the purpose of your testimony in this proceeding?**

25 A: My testimony supports ALLTEL's application for designation as an Eligible  
26 Telecommunications Carrier ("ETC") filed with this Commission on May 19,

1 2003. I also hereby incorporate ALLTEL's application in this docket as part of  
2 my direct testimony with the exception of a slight modification to Exhibit E-1  
3 to the Application, as discussed below.

4 **Q. What is the significance of receiving ETC designation from this**  
5 **Commission?**

6 A: ETC designation will allow ALLTEL to receive Federal Universal Support  
7 Funds ("USF") in providing telecommunications services to customers  
8 throughout its approved ETC service territory in Arizona.

9 **Q: Has the Federal Communications Commission ("FCC") established guide-**  
10 **lines for state Commissions to employ in determining ETC designation?**

11 A: Yes. In order to be designated as an ETC, a carrier must be a common carrier  
12 and must offer and advertise the supported services throughout the designated  
13 service area. 47 U.S.C. §214(e)(1). The FCC has identified the following  
14 supported services and functionalities as the core supported services to be  
15 offered by an ETC and supported by federal universal service support  
16 mechanisms:

- 17 1. Voice-grade access to the public switched telephone  
18 network;
- 19 2. Local Usage;
- 20 3. Dual-tone, multi-frequency ("DTMF") signaling, or it  
21 functional equivalent;
- 22 4. Single-party service or its functional equivalent;
- 23 5. Access to emergency services;
- 24 6. Access to operator services;
- 25 7. Access to interexchange service;
- 26 8. Access to directory assistance; and
- 27 9. Toll limitation for qualifying low-income consumers.

28 47 C.F.R §54.101(a).

1 **Q: Can you briefly describe how ALLTEL plans to meet the FCC's criteria**  
2 **for providing the supported services?**

3 A: Voice-grade access to the public switched telephone network. The FCC  
4 concluded that voice-grade access means the ability to make and receive phone  
5 calls, within a bandwidth of approximately 2700 Hertz frequency range. *See*  
6 *Federal-State Joint Board on Universal Service, CC Docket No. 96-45, First*  
7 *Report and Order*, 12 FCC Rcd 8776, 8810-11 (1997) ("*Universal Service*  
8 *Order*"). ALLTEL meets this requirement by providing voice-grade access to  
9 the public switched telephone network. Through its interconnection arrange-  
10 ments with local telephone companies, all customers of ALLTEL are able to  
11 make and receive calls on the public switched telephone network within the  
12 specified bandwidth.

13 Local Usage. Beyond providing access to the public switched network,  
14 an ETC must include local usage as part of a universal service offering. To  
15 date, the FCC has not quantified a minimum amount of local usage required to  
16 be included in a universal service offering, but has initiated a separate  
17 proceeding to address this issue. *See Federal-State Joint Board on Universal*  
18 *Service, Memorandum Opinion and Order and Further Notice of Proposed*  
19 *Rulemaking*, 13 FCC Rcd 21252 (1998) ("*October 1998 NPRM*"). As it relates  
20 to local usage, the NPRM sought comments on a definition of the public  
21 service package that must be offered by all ETCs. Specifically, the FCC sought  
22 comments on how much, *if any*, local usage should be required to be provided  
23 to customers as part of a universal service offering. [*October 1998 NPRM* at  
24 21277-21281] In the *Universal Service Order*, the FCC deferred a deter-  
25 mination on the amount of local usage that a carrier would be required to  
26 provide. [*Universal Service Order* at 8813] Any minimum local usage  
27 requirement established by the FCC as a result of the *October 1998 NPRM* will  
28 be applicable to all designated ETCs, not simply wireless service providers.

1 ALLTEL will comply with any and all minimum local usage requirements  
2 adopted by the FCC. ALLTEL will meet the local usage requirements by  
3 including local usage as part of a universal service offering.

4 Dual-tone, multi-frequency ("DTMF") signaling, or its functional equi-  
5 valent. DTMF is a method of signaling that facilitates the transportation of call  
6 set-up and call detail information. Consistent with the principles of compe-  
7 titive and technological neutrality, the FCC permits carriers to provide  
8 signaling that is functionally equivalent to DTMF in satisfaction of this service  
9 requirement. 47 C.F.R. § 54.101(a)(3). ALLTEL currently uses out-of-band  
10 digital signaling and in-band multi-frequency ("MF") signaling that is  
11 functionally equivalent to DTMF signaling. ALLTEL therefore meets the  
12 requirement to provide DTMF signaling or its functional equivalent.

13 Single-party service or its functional equivalent. "Single-party service"  
14 means that only one party will be served by a subscriber loop or access line in  
15 contrast to a multi-party line. [*Universal Service Order* at 8810] The FCC  
16 concluded that a wireless provider offers the equivalent of single-party service  
17 when it offers a dedicated message path for the length of a user's particular  
18 transmission. [*Universal Service Order* at 8810] ALLTEL meets the  
19 requirement of single-party service by providing a dedicated message path for  
20 the length of all customer calls.

21 Access to emergency services. The ability to reach a public emergency  
22 service provider by dialing 911 is a required service in any universal service  
23 offering. Phase I E-911, which includes the capability of providing both  
24 automatic numbering information ("ANI") and automatic location information  
25 ("ALI"), is only required if a public emergency service provider makes  
26 arrangements with the local provider for the delivery of such information.  
27 ALLTEL currently provides all of its customers with access to emergency  
28 service by dialing 911 in satisfaction of the basic 911 requirement, and either

1 provides, or will provide subscribers with Phase I and Phase II E-911 services  
2 in accord with the deployment schedules agreed to by ALLTEL and local or  
3 other governmental emergency service provider agencies.

4 Access to operator services. Access to operator services is defined as  
5 any automatic or live assistance provided to a consumer to arrange for the  
6 billing or completion, or both, of a telephone call. [*Universal Service Order* at  
7 8817-18] ALLTEL meets this requirement by providing all of its customers  
8 with access to operator services provided by either the Company or other  
9 entities (e.g., LECs, IXC, etc.).

10 Access to interexchange services. A universal service provider must  
11 offer consumers access to interexchange service to make and receive toll or  
12 interexchange calls. Equal access, however, is not required. "The FCC do[es]  
13 not include equal access to interexchange service among the services supported  
14 by universal service mechanisms." [*Universal Service Order* at 8819]  
15 ALLTEL presently meets this requirement by providing all of its customers  
16 with the ability to make and receive interexchange or toll calls through direct  
17 interconnection arrangements the Company has with IXCs.

18 Access to directory assistance. The ability to place a call to directory  
19 assistance is a required service offering. [*Universal Service Order* at 8821]  
20 ALLTEL meets this requirement by providing all of its customers with access  
21 to directory assistance by dialing "411" or "555-1212."

22 Toll limitation for qualifying low-income consumers. An ETC must  
23 offer either "toll control" or "toll blocking" services to qualifying Lifeline  
24 customers at no charge. The FCC no longer requires an ETC to provide both  
25 services as part of the toll limitation service required under 47 C.F.R.  
26 §54.101(a)(9). *See Universal Service Fourth Order on Reconsideration*, FCC  
27 97-420 (Dec. 30, 1997). In particular, all ETCs must provide toll blocking,  
28 which allows customers to block the completion of outgoing toll calls.

1 [Universal Service Order at 8821-22] ALLTEL currently has no Lifeline  
2 customers because only carriers designated as an ETC can participate in  
3 Lifeline. See 47 C.F.R. §54.400-415. Once designated as an ETC, ALLTEL  
4 will participate in Lifeline as required, and will provide toll blocking capability  
5 in satisfaction of the FCC's requirement. ALLTEL currently has the technology  
6 to provide toll blocking and will use this technology to provide the service to  
7 its Lifeline customers, at no charge, as part of its universal service offerings.

8 **Q: Is ALLTEL a "common carrier?"**

9 A: Yes. ALLTEL is a "common carrier" for purposes of obtaining ETC  
10 designation pursuant to 47 U.S.C. § 214(e)(1). A "common carrier" is  
11 generally defined in 47 U.S.C. § 153(10) as a person engaged as a common  
12 carrier on a for-hire basis in interstate communications by wire or radio.  
13 Section 20.9(1)7 of the Commission's Rules provides that cellular service is a  
14 common carrier service. See 47 C.F.R. § 20.9(a)(7).

15 **Q: Does ALLTEL offer and advertise all of these supported services through-**  
16 **out the designated service area?**

17 A: ALLTEL will offer and advertise the supported services upon receiving its  
18 ETC designation from this Commission.

19 **Q: Are there any other considerations that need to be taken into account by**  
20 **the Commission before granting ETC status?**

21 A: Yes. ALLTEL's request for ETC designation includes both rural and non-rural  
22 wire centers of incumbent local exchange carriers (ILECs). When designating  
23 an ETC in rural wire centers, under 47 USC § 214(e)(6), the Commission must  
24 make a determination that the designation is in the public interest.

1 **Q: Is ALLTEL's ETC designation in rural wire centers in the public interest?**

2 A: Yes. Designating ALLTEL as an ETC in Arizona would further the public  
3 interest by bringing the benefits of competition to the rural telecommunications  
4 marketplace. The FCC has recognized the advantages wireless carriers can  
5 bring to the universal service program. In particular, the FCC has found that  
6 "imposing additional burdens on wireless entrants would be particularly  
7 harmful to competition in rural areas, where wireless carriers could potentially  
8 offer service at much lower costs than traditional wireline service." [*Universal*  
9 *Service Order* at 8881-8882] One of the principal goals of the Telecom-  
10 munications Act of 1996 was to "promote competition and reduce regulation in  
11 order to secure lower prices and higher quality services for American  
12 telecommunications consumers and encourage the rapid deployment of new  
13 telecommunications technologies." Telecommunications Act of 1996, Public  
14 Law, 104, 100 Stat. 56 (1996). The FCC has determined that wireless  
15 providers such as ALLTEL may be designated as ETCs. [*Universal Service*  
16 *Order* at 8858-59, ¶¶ 145-147] Designating ALLTEL as an ETC would give  
17 those in rural areas in Arizona additional telecommunications options.

18 ALLTEL will implement service offerings and rate plans that will be  
19 competitive with incumbent service offerings and affordable to Arizona's  
20 consumers. ALLTEL commits that its local calling area will be at least as large  
21 as the incumbent LEC, and ALLTEL believes that in all cases its local calling  
22 area will be substantially larger, which will reduce intraLATA toll charges  
23 typically associated with wireline service. ALLTEL will provide access to  
24 emergency services in compliance with all state and federal requirements.  
25 ALLTEL commits to use available federal high cost support for its intended  
26 purposes – the construction, maintenance and upgrading of facilities serving  
27 the rural areas for which support is intended. As of this date, ALLTEL can  
28 conceive of no business plan for remote rural areas which supports deploying

1 the type of robust wireless network required to effectively compete with  
2 incumbent carriers without USF support. Wireless telephone service is today a  
3 convenience, but in most rural areas it cannot be counted on as a potential  
4 replacement for wireline service unless high cost loop support is made  
5 available to drive infrastructure investment. Indeed, without the high cost  
6 program it is doubtful that many rural areas would have wireline telephone  
7 service even today. Provision of high cost support to ALLTEL will enable the  
8 company to expand its facilities and make available for the first time a  
9 potential competitor for primary telephone service in remote areas of Arizona.

10 **Q. Will ALLTEL's drawing of support adversely impact the level of support**  
11 **currently afforded to rural telecommunications companies and/or other**  
12 **ILECs?**

13 **A:** No. ALLTEL's drawing of support from the Universal Service Fund will not  
14 impact the level of support awarded to rural telecommunication companies or  
15 other ETCs. The size of the federal fund and thus the contributions thereto are  
16 adjusted on a quarterly basis to meet any additional demands on the fund. The  
17 federal universal service support mechanisms support all lines served by ETCs  
18 in rural and high-cost areas. Under the federal rules, ALLTEL's receipt of  
19 high-cost support will not affect the per-line support amount that the incumbent  
20 carrier receives.

21 **Q. Briefly describe to the Commission what your plans are for the universal**  
22 **service funds you will receive.**

23 **A:** ALLTEL intends to use federal universal service support to operate, expand  
24 and maintain its facilities in Arizona that are integral components in the  
25 provision of cellular phone service to rural and low-population areas.  
26 Universal service support will enable ALLTEL to expand its coverage and  
27 improve signal strength in more remote areas.

1 **Q: When do you intend to start these improvements?**

2 A: ALLTEL intends to start improving its network as soon as possible after ETC  
3 designation and receipt of universal service support.

4 **Q: What benefits can the people of the State of Arizona expect to see from use  
5 of these funds?**

6 A: The primary benefit to be gained by the people of Arizona will be the benefit of  
7 choice. The benefits of competition have been proven over and over again.  
8 With increased competition, service quality improves and value added services  
9 provide customers with more for less. Arizona residents will benefit from the  
10 variety of local usage plans that ALLTEL will include as part of its universal  
11 service offering and will be able to choose service based on pricing, service  
12 quality, customer service and service availability. Due to the cost of providing  
13 service in remote and rural areas, most consumers in rural areas have not  
14 enjoyed the benefits of competition. In contrast, the urban areas have been  
15 enjoying the benefits of competition since the passage of the 1996 Telecom-  
16 munications Act. These urban consumers have the ability to choose between a  
17 myriad of rate plans, calling areas, and long distance offerings that fit their  
18 particular needs. Universal service funding will help to make it economically  
19 feasible for ALLTEL to compete in the more remote areas.

20 **Q: Does the Commission need to take any other actions with respect to  
21 ALLTEL's application?**

22 A: Yes. As noted in its application, ALLTEL requests that the Commission  
23 redefine the ILECs' service areas for the purposes of identifying high cost  
24 support to coincide with ALLTEL's licensed service areas. This is necessary  
25 due to the fact that ALLTEL cannot provide service in areas in which it is not  
26 licensed. Redefining service areas for ETC purposes will in no way impact the  
27 way the affected rural LECs calculate their costs, but it is solely to determine

1 the LEC area in which ALLTEL is to be designated as an ETC. Additionally,  
2 no action in this proceeding will affect or prejudice any future action this  
3 Commission may take with respect to the LEC's status as a rural telephone  
4 company.

5 **Q. Can you identify which ILEC service areas ALLTEL is asking this**  
6 **Commission to redefine?**

7 **A.** Yes. Attached to this testimony is "Exhibit 1" which lists the ILEC exchanges  
8 to be included in ALLTEL's ETC service area. This exhibit differs from  
9 "Exhibit E-1" that was included as part of ALLTEL's application, in that all  
10 "partially served" wire centers have been removed. ALLTEL believes that it is  
11 operationally and administratively more efficient to limit its ETC designation to  
12 areas no smaller than an entire wire center. This is also consistent with FCC  
13 policy and actions.

14 **Q: Can you please summarize your testimony?**

15 **A:** ALLTEL believes that its application for ETC designation contains all  
16 necessary information for the Commission to grant ETC status. ALLTEL  
17 meets the criteria established by the FCC with respect to the provision of  
18 supported services. ALLTEL also has established that granting ETC status  
19 serves the public interest as such designation will bring the benefits of  
20 competitive choice to rural Arizona consumers. And finally, ALLTEL's  
21 application identifies the actions to be taken by the Commission in redefining  
22 ILEC service areas to coincide with ALLTEL's licensed service areas for the  
23 purposes of receiving federal high cost support.

24 **Q: Does this conclude your direct testimony?**

25 **A:** Yes.

**ALLTEL**  
**RURAL ILEC STUDY AREAS PARTIALLY SERVED IN THE STATE OF ARIZONA**  
**AND WHICH ALLTEL REQUESTS THE STUDY AREAS BE REDEFINED**  
**TO INCLUDE THE FOLLOWING WIRE CENTERS**

COUNTY	INCUMBENT LEC	WIRE CENTER NAME	CILLI CODE
Maricopa County	ARIZONA TELEPHONE CO.	TONOPAH	HRVYAZXC
Pima County	ARIZONA TELEPHONE CO.	TUCSON	SASBAZXC
Coconino County	ARIZONA TELEPHONE CO.	BLUE RIDGE	BLRGAZXC
Coconino County	ARIZONA TELEPHONE CO.	MARBLE CANYON	MRCNAZXC
Coconino County	ARIZONA TELEPHONE CO.	MARBLE CANYON	MRCNAZXE
Coconino County	ARIZONA TELEPHONE CO.	MORMON LAKE	MMLKAZXC
Coconino County	ARIZONA TELEPHONE CO.	SUPAI	SUPAAZXC
Gila County	ARIZONA TELEPHONE CO.	ROOSEVELT	RSVTAZXC
Gila County	ARIZONA TELEPHONE CO.	TONTO BASIN	TNBSAZXC
Gila County	MIDVALE TELEPHONE EXCHANGE INC.	YOUNG	YONGAZXC
Coconino County	NAVAJO COMMUNICATIONS CO. - AZ	KAIBITO	KABTAZXC
Coconino County	NAVAJO COMMUNICATIONS CO. - AZ	LECHEE	LCHEAZXC
Coconino County	NAVAJO COMMUNICATIONS CO. - AZ	LEUPP	LEPPAZXC
Coconino County	NAVAJO COMMUNICATIONS CO. - AZ	TUBA CITY	TBCYAZXC
Coconino County	SOUTH CENTRAL UTAH TELEPHONE ASS	FREDONIA	FRDNAZAC
Maricopa County	TABLE TOP TELEPHONE CO. INC.	AGUILA	AGULAZXC
Pima County	TABLE TOP TELEPHONE CO. INC.	AJO	AJO AZXC
Yavapai County	TABLE TOP TELEPHONE CO. INC.	BAGDAD	BGDDAZXC
Yavapai County	TABLE TOP TELEPHONE CO. INC.	SELIGMAN	SGMNAZXC