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Arizona T**Information Council**

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A Foundation of the Governor's Strategic Partnership for Economic Development (GSPED)

PO Box 1119
 Tempe, AZ 85280 - 1119
 Voice / Fax: (602) 254-5887

November 22, 2000
 2000 NOV 24 A 10:22

E-mail: atic@researchedge.com
 URL: www.researchedge.com/atic

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Mr. Jerry Rudibaugh,
 Chief Hearing Officer
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, AZ 85007

RE: DOCKET NO. ^{T-01051B} ~~T-0105B~~ - 99-4015
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Dear Mr. Rudibaugh:

AZ CORP COMMISSION
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 Arizona Corporation Commission
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The Arizona Telecommunications and Information Council (ATIC) wishes to thank you for the opportunity to comment on the Qwest (formally U S WEST) Rate Case and in particular the Price Cap Proposal in the proposed Settlement Agreement ("Agreement") between the Commission Staff ("Staff") and Qwest.

We feel that the proposed Agreement may not be in the best interests of stakeholders or the public. The original order requiring that this Rate Case be held was issued because the Commission believed that Qwest (at that time U S WEST) was over earning. Much of the testimony submitted by the parties supports that view. The proposed Agreement seems to ignore that issue. In fact the Agreement grants Qwest \$42.9 million of which \$17.6 million will be implemented immediately with the rest coming over the remainder of the life of the Agreement.

The rate design for the Price Cap establishes three baskets: Basket one for basic and regulated services; basket two for wholesale services; and basket three for unregulated services. This plan allows services to be combined, repackaged, and in some cases discounted without further Commission action. If adopted by the Commission, this alternative form of regulation seems to give Qwest much of what voters rejected by an 80% - 20% margin in Proposition 108.

Qwest presently has the opportunity to alter prices in the event that competitors for various services appear. Qwest has had flexible pricing available to it since 1985, and already has applied to the commission, and been granted competitive status, for approximately 50 services, including such widely recognized services as Centrex. There is no reason that Qwest cannot seek competitive status in the future for other services under the current procedure.

The Commission proceeded slowly and carefully in electric deregulation, with ample input from all of the parties, thereby saving Arizona ratepayers from the sort of disaster that struck in California. The Commission ought to do the same with telephone deregulation, allowing full and fair public input, and an opportunity for all parties to be heard in detail. The current proceeding before the Commission was widely expected to deal only with rates, not with alternative forms of regulation. The public should be better informed as to the enormous change that is under consideration and given the opportunity to thoroughly examine and comment on the far-reaching regulatory changes contained in the proposed settlement.

Limiting the discussion in this procedure to the Agreement and the Price Cap Plan will not allow for a full discussion on all the issues presented in the testimony by all parties. In order for the Commission to issue any order concerning rates, the

Commission needs to weigh all the issues and how it impacts on all classes of customers. Should the Commission wish to consider an alternate form of regulation for all telephone companies in the state, the subject should be addressed in a separate proceeding, especially given the recent Supreme Court decisions on this question.

The Arizona Telecommunications and Information Council urges the Commission to expand the hearing to include all the issues brought forth in the testimony in this Docket. Only with a full, fair, open hearing on all the issues will the stakeholders, taxpayers, and customers of Qwest be served.

ATIC is an economic development foundation under the Governor's Strategic Partnership for Economic Development (GSPED). The ATIC mission is to promote and support the adoption of effective public policies for the State of Arizona and local communities that encourage investment and deployment of information technologies and telecommunication services to enable continued educational advancement, enhanced quality of life and economic prosperity for the Arizona community.

The ATIC's public and private partners include large and small businesses, economic development organizations, libraries, consumer organizations, local and state government agencies, educational institutions, health care, the Arizona legislature, and information technology and telecommunications companies.

Thank you for consideration of these suggestions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Oris Friesen', with a long horizontal flourish extending to the right.

Oris Friesen, Chair