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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

Arizona Corporation 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

DECISION NO. 67403

OPINION AND ORDER

DATES OF HEARING: January 23, 2004 and February 17, 2004

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Teena Wolfe

APPEARANCES: Michael W. Patten, ROSHKA HEYMAN AND DeWULF, on behalf of Alltel Communications, Inc.;

Jeffrey W. Crockett, SNELL & WILMER, on behalf of Arizona Telephone Company and Arizona Local Exchange Carriers Association; and

Timothy J. Sabo, Legal Division, on behalf of the Utilities Division Staff of the Arizona Corporation Commission.

BY THE COMMISSION:

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Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Alltel Communications, Inc. ("Alltel" or "Company") is a cellular service provider operating in Arizona.

2. Alltel is licensed by the Federal Communications Commission ("FCC") to provide wireless service in the Phoenix and Tucson Metropolitan Statistical Areas ("MSA"), and in Arizona Rural Service Areas ("RSA") 2 and 5. Arizona RSA 2 includes Coconino and Yavapai Counties, and

Arizona RSA 5 includes Gila and Pinal Counties. Together, these licensed service areas include the entirety of Maricopa, Pinal, Gila, Pima, Yavapai, and Coconino Counties.

3. On May 19, 2003, Alltel filed an application with the Arizona Corporation Commission ("Commission") requesting designation as an Eligible Telecommunications Carrier ("ETC"). Designation as an ETC will enable Alltel to apply for and receive federal universal service support from the Federal Universal Service Fund ("FUSF"). Alltel's application did not request authority to receive funding from the Arizona Universal Service Fund.

4. Alltel's application seeks ETC designation for Alltel as a wireless provider in those portions of Alltel's licensed service area in the State of Arizona in which an incumbent local exchange carrier ("ILEC") is also certificated or authorized to provide service. These areas include the rural wire centers listed in Exhibit A to this Decision and the non-rural wire centers listed in Exhibit B to this Decision.

5. Alltel has approximately 330,000 total customer lines in Arizona, most of which are located in metropolitan areas (Tr. at 34-35). Its licensed service area covers approximately 50 percent of the state of Arizona (Tr. at 43). Some remote portions of Alltel's licensed service area are not included in its request (Tr. at 128).

6. All of the non-rural wire centers for which Alltel is requesting ETC designation are located in the service area of Qwest Corporation ("Qwest") (Exh. S-1 at 6). Qwest did not intervene in this docket or oppose ETC designation for Alltel in those wire centers.

7. The rural wire centers for which Alltel is requesting ETC designation are located in the service areas of Accipiter Communications, Inc., Gila River Telecomm Inc., San Carlos Apache Telecommunications, Tohono O'Odham Utility Authority, Arizona Telephone Company, CenturyTel of the Southwest, Inc., Citizens Telecommunications Company of the White Mountains d/b/a Frontier Communications of the White Mountains, Midvale Telephone Exchange, Inc., Navajo Communications Company, South Central Utah Telephone Association, and Table Top Telephone Company (Exh. S-1 at 6).

8. In conjunction with its ETC designation request, Alltel also requested that, for the purpose of its ETC designation, the Commission redefine the study areas of Arizona Telephone

Company, CenturyTel of the Southwest, Inc., Midvale Telephone Exchange, Inc., Navajo Communications Company, South Central Utah Telephone Association, and Table Top Telephone Company to include only the wire centers in Alltel's service area. Alltel's FCC licensed area does not coincide with the service territories of those rural ILECs. The amount of per-line FUSF support available to ETCs is based on the embedded costs of the ILEC within a study area. Because Alltel's licensed service area includes only parts of those rural ILECs' study areas, Alltel requested that, for purposes of its ETC designation, those rural ILECs' study areas be redefined into separate study areas, with one study area to include only that portion containing the wire centers Alltel serves. The wire centers in Alltel's service area that are located in the study areas of those rural ILECs are listed on page 2 of Exhibit A attached to this Decision.

9. Alltel did not request redefinition of the study areas of Accipiter Communications, Inc., Gila River Telecomm Inc., San Carlos Apache Telecommunications, or Tohono O'Odham Utility Authority.

10. Table Top Telephone Company ("Table Top") filed a request to intervene in this matter on June 16, 2003.

11. By Procedural Order of June 18, 2003, a Procedural Conference was set for June 25, 2003, for discussion of procedural matters raised by the application and Table Top's intervention request.

12. A Procedural Conference was held as scheduled, and Alltel, Table Top and the Commission's Utilities Division Staff ("Staff") entered appearances. No parties objected to Table Top's request to intervene, and intervention was therefore granted. Table Top stated that it believed a hearing should be held on Alltel's application.

13. On July 11, 2003, a Procedural Order was issued requiring Alltel to publish notice of its application, and setting a date of October 1, 2003, for the filing of a Staff Report. The Procedural Order required that the Staff Report include a recommendation regarding whether the Commission should hold a hearing on the application.

14. On July 24, 2003, Arizona Telephone Company requested intervention in this matter. No objections were filed, and by Procedural Order of August 7, 2003, the intervention was granted.

15. On August 14, 2003, Alltel filed an Affidavit of Publication and an Affidavit of Proof of Mailing, demonstrating compliance with the notice requirements of the July 11, 2003 Procedural Order.

16. On August 11, 2003, the Arizona Local Exchange Carriers Association ("ALECA")[1] requested intervention in this matter. No objections were filed, and on August 21, 2003, ALECA's intervention request was granted.

17. On August 22, 2003, Table Top filed its Initial Comments on the application.

18. Pursuant to a September 10, 2003, stipulation for an extension of time filed by Staff and Alltel, the due date for the Staff Report was continued from October 1, 2003, to October 29, 2003.

19. On October 14, 2003, ALECA filed comments and a request for hearing.

20. On October 29, 2003, Staff filed its Staff Report recommending approval of the Application subject to certain conditions, and stating that Staff was not opposed to holding a hearing in this matter.

21. A Procedural Conference was convened on November 14, 2003, at which the parties discussed the necessity for a hearing, possible hearing dates, discovery timeframes, and the schedule for pre-filed testimony in this matter.

22. A Procedural Order was issued on November 17, 2003, setting a hearing on the application for January 23, 2004 and setting associated procedural deadlines, including the pre-filing of direct and rebuttal testimony.

23. The hearing was held as scheduled on January 23, 2004, and February 17, 2004. Alltel, ALECA and Staff appeared through counsel and presented evidence.

24. The parties filed initial closing briefs on March 16, 2004, and responsive briefs on April 2, 2004.

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[1] The membership of ALECA is comprised of the following ILECs: Arizona Telephone Company, CenturyTel, Copper Valley Telephone, Fort Mojave Telephone Company, Frontier Communications, Gila River Communications, Midvale Telephone Exchange, Navajo Communications, San Carlos Apache Telecom Utility, South Central Communications, Southwestern Telephone Company, Table Top Telephone Company, Tohono O'Odham Utility Authority, and Valley Telephone Cooperative. Each of these ILECs is a "rural telephone company" as defined in Section 3(27) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996.

FUSF Funding

25. FUSF funding for an ETC is based on the amount of per-line support that the ILEC receives (Tr. at 35). Upon receiving an ETC designation, Alltel will report the total number of lines it has in both rural and non-rural areas, and will begin receiving FUSF support in the following quarter (Tr. at 35). Alltel estimates that if designated as an ETC, it will be drawing approximately $8 to $9 million annually from the FUSF for the ETC designation areas it is requesting in Arizona (Tr. at 34).

Requirements for ETC Designation

26. Alltel's Application seeks ETC designation pursuant to Section 214(e)(2) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 ("1996 Act"), for purposes of receiving federal universal service support in Arizona.

27. Section 214(e)(2) of the 1996 Act[2] provides as follows:

> (2) Designation of eligible telecommunications carrier
> A State commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (1) as an eligible telecommunications carrier for a service area designated by the State commission. Upon request and consistent with the public interest, convenience, and necessity, the State commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest.

28. Section 214(e)(1) of the 1996 Act[3] provides as follows:

> (e) Provision of universal service
> (1) Eligible telecommunications carriers
> A common carrier designated as an eligible telecommunications carrier under paragraph (2), (3), or (6) shall be eligible to receive universal service support in accordance with section 254 of this title, and shall, throughout the service area for which the designation is received -
> (A) offer the services that are supported by Federal universal service support mechanisms under section 254(c) of this title, either using its own facilities or a combination of its own facilities and resale of another carrier's services

[2] 47 U.S.C. § 214(e)(2).
[3] 47 U.S.C. § 214(e)(1).

(including the services offered by another eligible telecommunications carrier); and

(B) advertise the availability of such services and the charges therefor using media of general distribution.

29. Section 254(a)(1) of the 1996 Act[4] directed the FCC to institute and refer to a Federal-State Joint Board a proceeding to recommend changes to any of its regulations in order to implement Section 214(e) and Section 254 of the 1996 Act, including the definition of the services that are supported by Federal universal service support mechanisms. Subsequently, the FCC promulgated regulations[5] designating the nine services that an ETC must offer in order to receive federal universal service support as follows:

1) Voice grade access to the public switched network;
2) Local usage;
3) Dual tone multi-frequency signaling or its functional equivalent;
4) Single-party service or its functional equivalent;
5) Access to emergency services;
6) Access to operator services;
7) Access to interexchange service;
8) Access to directory assistance; and
9) Toll limitation for qualifying low-income consumers.

30. FCC regulations[6] further require that in order to be designated as an ETC, a carrier must also offer Lifeline and Link Up services to all qualifying low-income consumers within its service area. Lifeline service provides basic telephone service with discounts on monthly telecommunications charges. Link Up service provides financial assistance to help cover the installation charges for telecommunications service. FCC regulations[7] require an ETC to publicize the availability of Lifeline and Link Up support in a manner reasonably designed to reach those likely to qualify for the services.

Nine Supported Services

31. Voice grade access to the public switched network – Voice grade access to the public switched telephone network means the ability to make and receive telephone calls within a bandwidth

[4] 47 U.S.C. § 254.
[5] 47 C.F.R. § 54.101.
[6] 47 C.F.R. §§ 54.401, 54.405 and 54.411(a).
[7] 47 C.F.R. §§ 54.405(b) and 54.411(3)(d).

of approximately 2700 Hertz frequency range.[8] Alltel's customers are able to make and receive telephone calls on the public switched telephone network within the specified bandwidth in 75 percent of its service area (Exh. A-1 at 3; Exh. A-2 at 3; Tr. at 65).

32. Local usage – Alltel's least-expensive local calling plan starts at $29.95 per month, and includes 300 "anytime minutes" and 500 "night and weekend minutes" (Tr. at 67-68). Alltel attested that once it is designated as an ETC, it will comply with all minimum local usage requirements adopted by the FCC and will meet such requirements by including local usage plans as part of its universal service offering (Exh. A-1 at 3-4; Exh. A-2 at 4). The FCC has not quantified a minimum amount of local usage required for a universal service offering, but has initiated a proceeding to review this issue.[9]

33. Dual tone multi-frequency signaling or its functional equivalent – Dual tone, multi-frequency ("DTMF") signaling is a method of signaling that facilitates the transportation of call set-up and call detail information. The FCC permits carriers to provide this supported service by providing signaling that is the functional equivalent to DTMF.[10] Alltel uses out-of-band digital signaling, which is a functional equivalent to DTMF (Exh. A-1 at 4; Exh. A-2 at 4).

34. Single-party service or its functional equivalent - The FCC has concluded that a wireless provider offers the equivalent of single-party service when it offers a dedicated message path for the length of a user's particular transmission.[11] Alltel provides a dedicated message path throughout the duration of all customer calls in satisfaction of this element (Exh. A-1 at 4; Exh. A-2 at 4).

35. Access to emergency services - Alltel currently provides all of its customers with

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[8] *See* Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *First Report and Order*, 12 FCC Rcd 8776, at 8810-8811 (1997)("*Universal Service First Report and Order*").

[9] *See Universal Service First Report and Order* at 8813; *Federal and State Joint Board on Universal Service Memorandum Opinion and Order and Further Notice of Proposed Rulemaking*, 13 FCC Rcd 21252 (1998). We note that while toll limitation for qualifying low-income customers (see Findings of Fact No. 39 herein) serves the purpose of limiting the size of those customers' bills in order to help ensure continuation of their access to local usage, toll limitation may not fulfill this purpose for wireless customers, whose bills are based on total minutes of usage as opposed to a flat charge for all local usage. Alltel may wish to pursue some type of a "minutes-limitation" option for its qualifying low-income customers in order to limit the potential size of those customers' bills, in order to help ensure the continuation of their access to local usage.

[10] 47 C.F.R § 54.101(a)(3).

[11] *Universal Service First Report and Order* at 8810.

access to emergency service by dialing 911 in satisfaction of the basic 911 requirement and attests that it either provides now or will provide subscribers with enhanced 911 services in accordance with the deployment schedules agreed upon by Alltel and local or other governmental emergency services providers (Exh. A-1 at 4; Exh. A-2 at 4-5). Phase I E-911, which includes the capability of providing both automatic numbering information and automatic location information is only required if a public emergency service provider makes arrangements with the local provider for the delivery of such information.[12]

36. Access to operator services - Access to operator services is defined as any automatic or live assistance provided to a consumer to arrange for the billing or completion, or both, of a telephone call.[13] Alltel provides all of its customers with access to operator services either itself or through arrangements with other entities (Exh. A-1 at 5; Exh. A-2 at 5).

37. Access to interexchange service - Alltel has certified that it currently provides all of its customers with the ability to make and receive interexchange or toll calls through Alltel's direct interconnection arrangements with interexchange carriers ("IXCs") (Exh. A-1 at 5; Exh. A-2 at 5).

38. Access to directory assistance - Alltel has certified that it provides all of its customers with access to directory assistance by dialing "411" or "555-1212" in satisfaction of this requirement (Exh. A-1 at 5; Exh. A-2 at 5).

39. Toll limitation for qualifying low-income consumers – ETCs must offer either toll control or toll blocking services to qualifying Lifeline customers at no charge.[14] Only carriers designated as ETCs can participate in Lifeline.[15] Alltel has attested that once designated as an ETC, it will participate in the Lifeline program as required and will provide toll blocking in satisfaction of the FCC's requirement (Exh. A-1 at 5-6; Exh. A-2 at 5-6). Alltel has certified that it currently possesses the technology to provide toll blocking and will use this technology to provide the service to its Lifeline customers at no charge as part of its universal service offering (Exh. A-1 at 6; Exh. A-2 at 6). Alltel's witness testified that Alltel can block 1+900 and 1+800 calls (Tr. at 72).

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[12] *Id.* at 8815-17.
[13] *Id.* at 8817-18.
[14] *Universal Service First Report and Order* at 8810; *Universal Service Fourth Order on Reconsideration,* FCC Docket No. 96-45; and *Report and Order* in CC Docket Nos. 96-45, 96-262, 94-1, 91-213, 95-72, 13 FCC Rcd 5318 (1997).
[15] *See* 47 C.F.R. § 54.400-415.

Advertising, Lifeline, and Link Up Requirements

40. Alltel stated that it will advertise the availability of the supported services and the corresponding charges in a manner that fully informs the general public of the services and charges (Exh. A-1 at 6). Alltel currently advertises its wireless services through various media forms. Alltel stated that it will use media of general distribution that it currently employs to advertise its universal service offerings throughout its designated service areas (Exh. A-1 at 6; Exh. A-2 at 6; Exh. S-1 at 5).

41. Alltel stated that once designated as an ETC, it will participate in the Lifeline program as required (Exh. A-1 at 5-6; Exh. A-2 at 5-6), and testified that it agreed to abide by Staff's recommended condition that it make Lifeline and Link Up services available to qualifying low-income applicants in its ETC service area no later than 90 days following this Decision (Tr. at 97).

ETC Designation in Rural ILEC Areas

42. Before designating Alltel as an additional ETC for an area served by a rural telephone company, in addition to determining whether Alltel meets the requirements for ETC designation, this Commission must find that the designation is in the public interest.[16]

43. Staff analyzed the application and concluded that Alltel offers the nine supported services (Exh. S-1 at 3-5). Staff recommended that the Commission find Alltel's ETC designation in the rural ILEC areas to be in the public interest and approve the application pursuant to the requirements of the 1996 Act,[17] subject to the following ten recommended conditions:[18]

1) Alltel shall make available Lifeline and Link Up services to qualifying low-income applicants in its ETC service area no later than 90 days after a Commission Decision. Alltel shall send a letter to the Utilities Division Director to provide notification of the commencement date for the service.

2) Alltel shall file an informational tariff with the Commission, setting forth the rates, terms and conditions for its general services (including, but not limited to, its Lifeline and Link Up service) and other services for which it receives FUSF support in the areas approved herein within thirty (30) days of an Order in this matter. On an ongoing basis Alltel shall comply with A.R.S. § 40-367 in amending its tariffs.

[16] 47 U.S.C. § 214(e)(2).
[17] 47 U.S.C. §§ 214(e)(1) and (2).
[18] The conditions appearing in the Staff Report were modified at the hearing by Exhibit S-2, and by late-filed Exhibit S-4. These listed conditions include those modifications.

3) Alltel shall be required to file with its informational tariff, service area maps of the areas for which it is granted ETC status by the Commission, within thirty (30) days of an Order in this matter.

4) Alltel shall be required to provide service quality data and other information as may be required by the Commission. Alltel shall provide such data within the timeframe given in Staff's request to Alltel.

5) Alltel shall submit any consumer complaints that may arise from its ETC service offerings to the Commission's Consumer Service Division, provide a regulatory contact, and comply with the provisions of the Commission's customer service and termination of service rules.

6) Alltel shall submit its advertising plan for Lifeline and Link Up services to Staff for review prior to commencing service.

7) Alltel shall be required to submit to an audit of its expenditures of its universal service funds upon a request by Commission Staff.

8) Alltel shall submit to the Commission an affidavit that all federal high-cost support for its ETC service area will only be used for the provision, maintenance, and upgrading of facilities and services for which the support is intended, consistent with Section 254(e) of the 1996 Act, by September 15 of each year following ETC approval, beginning with September 15, 2004.

9) Alltel shall be required to utilize all federal high-cost support which it receives for its Arizona ETC service area within the State of Arizona and only within any of the Arizona study areas for which it receives federal high-cost support.

10) Alltel shall be required to submit an annual filing detailing how it is utilizing its federal high-cost support for its ETC service area by September 15 of each of the first five years following ETC approval, beginning with September 15, 2004, and ending on September 15, 2009.

44. ALECA objected to Alltel's designation as an ETC in the rural ILEC areas described in Exhibit A attached to this Decision based on: 1) ALECA's claim that Alltel does not meet the requirements for ETC designation because it has not demonstrated the capability and commitment to provide the supported services throughout its requested rural service area; and 2) ALECA's claim that Alltel has not met its burden of proof in demonstrating that its designation as an ETC in the rural parts of its requested designated area serves the public interest.

45. ALECA recommended that Alltel's application be denied, but alternatively proposed

that if Alltel is designated as an ETC, this Commission should include, in addition to the conditions recommended by Staff:

> 1) a condition stating that eligibility criteria applicable to Alltel may change in the future, that Alltel's designation is subject to revocation in the event that Alltel does not meet any new criteria, and that a Decision granting Alltel ETC status does not prohibit the Commission from making changes to Alltel's status as an ETC in the future; and
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> 2) a condition requiring Alltel to file a plan with the Commission for serving customers in rural Arizona who request service from Alltel but who are not within Alltel's current signal area, similar to the seven-step plan adopted by the Regulatory Commission of Alaska in its *Alaska Digitel*[19] order, which plan should include reasonable time periods for responding to such requests and annual reporting requirements on such requests for service. (ALECA Cl. Br. at 5, 27-28).

Provision of Supported Services in Requested Rural Service Area

46. Staff reviewed Alltel's services, concluded that Alltel offers the nine supported services (Exh. S-1 at 3-5), and recommended approval of Alltel's application subject to the ten conditions listed in Findings of Fact No. 43 above. Staff asserted that its recommended requirement that Alltel make a detailed filing showing how it is spending the FUSF funds it receives in Arizona is superior to imposing mandates regarding the use of FUSF funds, in that the public availability of that filing and the fact that it will be reviewed by Staff will create a strong incentive for Alltel to spend its FUSF funds in an appropriate manner (Staff Cl. Brief at 4-5).

47. ALECA argued that Alltel's application fails under the requirement of Section 214(e) of the 1996 Act that an ETC must offer the FUSF supported services throughout its requested rural service areas, because it has not demonstrated the capability and commitment to provide the supported services throughout its requested rural service area (ALECA Cl. Br. at 5, 6). ALECA concedes that the FCC has not required that an applicant provide ubiquitous service prior to designation as an ETC, but asserts that a new entrant must make a reasonable demonstration of its capability and commitment to provide universal service in the designated areas (*Id.* at 6), citing the FCC's statement in its *Western Wireless* Order that "a demonstration of the capability and commitment to provide service must encompass something more than a vague assertion of intent on

[19] *In the Matter of the Request by Alaska DigiTel, LLC for Designation as a Carrier Eligible to Receive Federal Universal Service Support Under the Telecommunications Act of 1996*, Order Granting Eligible Telecommunications Carrier Status and Requiring Filings, Docket No. U-02-39, Order No. 10 (Aug. 28, 2003)("*Alaska Digitel*").

the part of a carrier to provide service. The carrier must reasonably demonstrate to the state commission its ability and willingness to provide service upon designation."[20] ALECA also cited decisions of the Minnesota Public Utilities Commission and the Regulatory Commission of Alaska[21] granting ETC designation requests, and decisions of the Minnesota Public Utilities Commission and the Nebraska Public Service Commission[22] denying ETC designation requests, as examples of the existence or non-existence of ETC applicants' ability and willingness to provide service throughout designated service areas (*See* ALECA Cl. Br. at 6-9), but ALECA did not provide an indication of the extent of the similarity of the facts underlying those decisions to the facts in this case.

48. ALECA argued that "Alltel has failed to make any tangible commitment that can be recognized by this Commission which shows that the company is serious about expanding its network in the rural areas of Arizona." (ALECA Cl. Br. at 11). ALECA stated that Alltel has not identified any construction project, construction plan, schedule or timetable for new infrastructure it would undertake in underserved rural areas within the requested ETC designation area; that Alltel has not identified a plan or a timetable for addressing customer requests to extend service within the requested designated area where no wireless coverage currently exists; and that Alltel has no plans to provide service in remote areas of the requested designated service area using special equipment such as three-watt handsets or yagi antennae,[23] or through resale agreements (*Id.* at 10-11). ALECA further argued that without an enforceable commitment, there is no way to ensure that Alltel would actually use FUSF monies to serve rural Arizona, and that Alltel should describe what facilities it will construct, where they will be constructed, how they will be financed, and the timetable for completing construction (*Id.* at 17).

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[20] *Federal-State Joint Board on Universal Service, Western Wireless Corporation Petition for Preemption of an Order of the South Dakota Public Utilities Commission*, Declaratory Ruling, CC Docket No. 96-45, 15 FCC Rcd 15168 at ¶ 24, rel. (Aug. 10, 2000)(*recon. pending*)(*"Western Wireless"*).

[21] *In the Matter of the Petition of Midwest Wireless Communications, LLC, for Designation as an Eligible Telecommunications Carrier under 47 U.S.C. § 214(e)(2)*, Order Granting Conditional Approval and Requiring Further Filings, Docket No. PT-6153/AM-02-686 (Issued March 19, 2003)(Minnesota), and *Alaska DigiTel* (Alaska).

[22] *In the Matter of the Petition of NPCR, Inc. d/b/a Nextel Partners for Designation as an Eligible Telecommunications Carrier Under 47 U.S.C. § 214(e)(2)*, Order Denying Without Prejudice Nextel's Application for ETC Designation, Docket No. PT-6200/M-03-647 (Issued December 1, 2003)(Minnesota) and *In the Matter of the Application of NPCR, Inc. d/b/a Nextel Partners, Eden Prairie, Minnesota Seeking Designation as an Eligible Telecommunications Carrier that May Receive Universal Service Support*, Order, Application No. C-2932 (Entered February 10, 2004)(Nebraska).

[23] A yagi antenna is placed on the exterior of a building in order to provide gain for both received and transmitted signals to improve the quality of a wireless transmission (Tr. at 284).

49. Alltel's witness testified at the hearing that its network is less robust in areas removed from metropolitan areas (Tr. at 93); that it intends to use universal service support to continue the growth of its wireless network further into rural areas where it currently does not provide services (Tr. at 62); that it has identified underserved areas where its network needs expansion (Tr. at 91); and that Alltel's plan, if approved for ETC designation, is to extend its network, which is robust along major interstate highways in Arizona, beyond those interstate highways (Tr. at 94).

50. In its recent *Virginia Cellular Memorandum Opinion and Order,* the FCC reiterated its ruling in *Western Wireless* that a telecommunications carrier's inability to demonstrate that it can provide ubiquitous service at the time of its request for designation as an ETC should not preclude its designation as an ETC.[24] Moreover, the FCC was not persuaded that the possibility of "dead spots" demonstrated that the wireless ETC applicant in that case was not willing to or not capable of providing acceptable levels of service throughout its service area, and accepted the commitment of the wireless ETC applicant in that case to improve its network.[25]

51. Consistent with the FCC's *Western Wireless* and *Virginia Cellular* determinations regarding ETC applicants' ability and willingness to provide service throughout designated service areas, we find that it is not necessary for Alltel to demonstrate that it can provide ubiquitous service throughout its designated ETC area prior to receiving a grant of ETC status.

52. Alltel stated that it will provide the supported services throughout its requested service areas using its existing network infrastructure, which includes the same antenna, cell-site, tower, trunking, mobile switching, and interconnection facilities it uses to serve its existing conventional mobile cellular service customers, and that it will provide service to any customer requesting this service within the designated service area (Exh. A-1 at 2). However, according to its testimony, at

[24] *Virginia Cellular, LLC, Memorandum Opinion and Order* in CC Docket No. 96-45, 19 FCC Rcd 1563, FCC 03-338, rel. Jan. 22, 2004 ("*Virginia Cellular*").
[25] *Id.* at ¶ 23, citing *Western Wireless* at 15175, ¶ 17.

the time of the hearing, Alltel estimated that it had "probably 75 percent" actual coverage in its licensed service area in Arizona (Tr. at 43). Although some remote portions of Alltel's licensed service area are not included in its requested ETC designation area, (Tr. at 128), information is not presently publicly available that would enable potential customers to ascertain where, within the requested ETC designation areas, Alltel can currently provide service. Alltel possesses actual radio-frequency coverage area maps depicting its actual coverage, but was willing to make them a part of the record in this proceeding only on a confidential basis (Tr. at 142, 152, 201-205; Alltel's Brief Regarding Confidentiality of Exhibit ALECA-8, docketed February 9, 2003). ALECA urged that Alltel's coverage-area information be made public (Tr. at 201-202), but neither ALECA nor Staff, both of whom received a copy of Alltel's actual coverage-area map pursuant to protective agreements they entered into with Alltel, pursued the procedures outlined in the protective agreements for obtaining public disclosure of the coverage-area map information.

53. We generally agree with Staff's conclusion, based on its analysis, that Alltel offers the nine supported services in the requested rural service area, and agree with Staff that the application should be approved, subject to conditions. However, because, as Alltel concedes, its services are not currently available throughout the requested ETC designation area, we believe that the public interest requires that Alltel's prospective customers be provided with maps that accurately depict Alltel's actual coverage area, so that potential customers may make an informed decision regarding their choice of telecommunications services prior to entering into a contract for service with Alltel. We will therefore require, as a condition of Alltel's requested ETC designation, that Alltel, prior to entering into service contracts with potential customers, provide those potential customers with the most accurate coverage-area maps available.

54. ALECA and Staff proposed two different approaches to monitoring Alltel's progress toward providing coverage throughout its service area. While Staff recommended that Alltel be

required to make an annual filing detailing how it is utilizing its federal high-cost support for its ETC service area, ALECA proposed that in addition to Staff's recommended requirement, Alltel be required to file a specific plan and to file additional annual reports on that plan. Staff has also recommended, and we will adopt, conditions requiring Alltel to utilize FUSF monies only within any of the Arizona study areas for which it receives federal high-cost support; to submit any consumer complaints that may arise from its ETC service offerings to the Commission's Consumer Service Division; to provide customers with a regulatory contact; to comply with the provisions of the Commission's customer service and termination of service rules; and to provide service quality data and other information as may be required by the Commission.

55. Alltel believes it would be inappropriate that its ETC designation be dependent upon specific construction plans (Tr. at 57), but has agreed to having its continuing ETC status being subject to an auditable presentation of its expenditures certifying that it is using the funds properly (Tr. at 57, 104). Alltel's witness testified that Alltel would commit to using all federal high-cost support for maintenance, construction, and upgrading of the facilities serving the areas in which it is certified, which include non-rural areas (Tr. at 105). On brief, Alltel argued that monitoring is a more appropriate mechanism than specific construction plans for ensuring that construction using FUSF is being done appropriately, and that monitoring will be effective for years into the future, and agreed that it will spend rural FUSF in rural service areas as recommended by Staff in its recommended condition number nine as listed in Findings of Fact No. 43 (Alltel Cl. Br. at 18). Alltel also acknowledged that this Commission has the authority to revoke its ETC designation if the Company does not comply with the requirements of a Decision designating it as an ETC (Tr. at 102, Alltel Cl. Br. at 19).

56. When combined with Staff's recommended expenditure and service quality conditions, with the requirement imposed herein that Alltel disclose its actual coverage area to

potential customers as a condition of its ETC designation, and with this Commission's authority to revoke Alltel's ETC designation due to any non-compliance with the conditions imposed herein, we find that while Staff's recommended reporting requirements go toward accomplishing the goal of ensuring that FUSF monies are used to improve service and expand coverage appropriately, a condition requiring Alltel to file a detailed plan is necessary. Alltel shall submit a plan to Staff under seal within three months of the effective date of this Order detailing proposed projects to be funded by FUSF. The plan shall be reviewed by Staff and submitted with analysis to the Commission.

57. Staff proposed that its recommended reporting requirement terminate five years from the date of this Decision. However, the record in this proceeding does not include any assurances from Alltel that it will achieve complete service coverage in the requested rural service areas in five years, and does not otherwise support an assumption that coverage will be complete in five years. Because a reporting period of five years may not provide sufficient time for Alltel to achieve complete service coverage in the rural service areas we designate herein, we find it more reasonable to require that instead of automatic termination of the filing requirement at the end of five years, Alltel instead be required to demonstrate that no further need exists for Commission oversight of its utilization of high-cost support, and that the annual filing requirement will continue until the issuance of a Commission Order determining that no further need exists for Commission oversight of Alltel's utilization of high-cost support.

58. ALECA also proposed that as a condition of ETC designation, Alltel be informed that ETC eligibility criteria applicable to Alltel may change in the future, that Alltel's designation is subject to revocation in the event that Alltel does not meet any new criteria, and that the Decision granting ETC status does not prohibit the Commission from making changes to Alltel's status as an ETC in the future. We find such a condition unnecessary. First, ETC status granted by this Commission may be revoked by this Commission for cause, as Alltel has specifically recognized

(Alltel Cl. Br. at 19); and second, Alltel will be required to comply with any rulemaking changes that the FCC may adopt regarding its eligibility for FUSF in the future.[26] This Commission, as the authority making the public interest determination and granting the requested ETC designation, retains full authority to oversee Alltel's compliance with the requirements of this Decision, FUSF statutes and FUSF rules, and to modify or revoke Alltel's ETC designation as required. We will therefore not adopt this condition proposed by ALECA.

Public Interest of Additional ETC Designation in Requested Rural Service Area

59. In *Virginia Cellular*, the FCC acknowledged the need for a more stringent public interest analysis for ETC designations in rural telephone company service areas; concluded that the value of increased competition, by itself, is not sufficient to satisfy the public interest test in rural areas; and elaborated on the "public interest" determination required for designation of additional ETCs for an area served by a rural telephone company.[27] Specifically, the FCC weighed the following factors in *Virginia Cellular*: (1) the benefits of increased competitive choice, (2) the impact of multiple ETC designations on the universal service fund, (3) the unique advantages and disadvantages of the competitor's service offering, (4) any commitments made regarding the quality of telephone service by competing providers, and (5) the competitive ETC's ability to provide the supported services throughout the designated service area within a reasonable time frame.[28] In addition, the FCC imposed as ongoing conditions the commitments the applicant in Virginia Cellular made on the record in that proceeding.[29] The FCC stated that the burden of proof in determining whether the public interest is served is upon the ETC applicant.[30]

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[26] The Federal-State Joint Board on Universal Service released a Recommended Decision on February 27, 2004, that proposes permissive federal guidelines for states to use when determining whether applicants are qualified to be designated as ETCs under Section 214 of the 1996 Act. *In the Matter of the Federal-State Joint Board on Universal Service*, Recommended Decision, CC Docket No. 96045, FCC 04J-1 (rel. Feb. 27, 2004). The FCC has not acted on the Recommended Decision, and it therefore cannot be relied upon in this Decision.

[27] *Virginia Cellular* at ¶ 4.

[28] *Id.*

[29] *Id.*

[30] *Id.* at ¶ 26.

60. ALECA claimed that Alltel has not met its burden of proof in demonstrating that its designation as an ETC in the rural parts of its requested designated area serves the public interest under the factors announced by the FCC in *Virginia Cellular*. ALECA contended that Alltel cannot point to any concrete benefit that will accrue to rural Arizona if Alltel is designated an ETC, because the rural ILECs already provide a high level of service quality; Alltel already provides wireless service to customers within its licensed service area; Alltel has not shown that advanced telecommunications options are lacking in rural areas; Alltel has provided no tangible evidence to support its stated commitment to use FUSF monies to construct, maintain and upgrade facilities serving rural areas for which support is intended; and Alltel's designation as an ETC will adversely affect the FUSF (ALECA Cl. Br. at 16-18). ALECA also claimed that Staff's evaluation of Alltel's application has not been sufficiently rigorous to allow a proper determination regarding the public interest, especially in light of *Virginia Cellular* (ALECA Cl. Br. at 19).

61. Staff testified that the *Virginia Cellular* factors, which were published after the date its Staff Report was filed, are not inconsistent with Staff's analysis of whether granting Alltel's ETC designation would serve the public interest (Tr. at 262-68), and stated that analysis of the *Virginia Cellular* factors supports granting ETC status to Alltel (Staff Closing Br. at 3). Staff recommended, subject to its proposed conditions, that the Commission find that it is in the public interest to designate Alltel as an ETC in those areas within its existing licensed service area in which a rural ILEC is certificated to provide service.

***Virginia Cellular* Public Interest Analysis**

62. The benefits of increased competitive choice: Alltel currently provides wireless service in the portions of its service area served by rural ILECs. Staff cited numerous benefits that would accrue from granting an ETC designation to Alltel for the areas requested in its application that are served by rural telephone companies, including: extending access in areas where wireline service is not available or affordable; extending access to advanced services, such as internet services;

and text messaging; extending access to tribal areas; increasing consumers' range of choices; and providing mobility rather than service at a fixed location (Exh. S-1 at 9-13). We find that while granting Alltel an ETC designation for the rural areas of its licensed territory may provide the above-described benefits, such benefits will accrue to consumers only if Alltel increases its actual coverage area. Because Alltel has not provided any assurances that the above-described benefits associated with increased competitive choice will accrue, we find that it is in the public interest to designate Alltel an ETC in the requested rural areas only if the designation is subject to Alltel's ongoing compliance with all the conditions set forth in Findings of Fact No. 72 below.

63. The impact of multiple ETC designations on the universal service fund: ALECA's witness Mr. Metts testified that granting ETC status to Alltel will ultimately result in all customers in Arizona paying a small increase in FUSF surcharges. He stated that the benefit of the increase will go to Alltel, and that the Commission should therefore be assured that Alltel will make an investment in Arizona and expand its services in rural areas (Tr. at 186). Alltel's witness testified that designating Alltel as an ETC will not reduce the amount of FUSF monies available to rural ILECs and will have minimal impact on the federal universal service fund (Tr. at 27). Staff's witness provided similar testimony (Tr. at 241-44). We find that while designating Alltel as an ETC will not reduce the amount of FUSF monies available to rural ILECs and will have minimal impact on the federal universal service fund, granting ETC status to Alltel will ultimately result in all customers in Arizona paying a small increase in FUSF surcharges, and that the benefit of the increase will go to Alltel. We therefore find that it is in the public interest to designate Alltel an ETC in the requested rural areas only if the designation is subject to Alltel's ongoing compliance with all the conditions set forth in Findings of Fact No. 72 below.

64. The unique advantages and disadvantages of the competitor's service offering: Staff's witness testified that increased and improved rural coverage by Alltel could assist consumers in rural areas who often must drive a significant distance, and could provide better access to emergency services, which could help mitigate potential health and public safety risks that geographically isolated rural consumers might face (Tr. at 218-219); and that because Alltel's local calling area for its Arizona customers is broader than that of the rural ILECs, Alltel's rural customers could enjoy

fewer toll calls, depending on a customer's particular calling pattern (Tr. at 220). ALECA argues that the least expensive package offered by Alltel is $29.95 per month, which is higher than the least expensive packages of ALECA members (ALECA Cl. Br. at 16). While Alltel may not at present provide ubiquitous service in the portions of its service area served by rural ILECs, if Alltel expands its current actual coverage area, it is possible that its service offerings may provide unique advantages to underserved consumers in the portions of its service area served by rural ILECs in comparison to existing available telecommunications choices. Those customers would then be afforded the choice of whether to pay Alltel for the advantages its services might offer them. However, underserved consumers will have such choices only if Alltel increases its actual coverage area. We therefore find that it is in the public interest to designate Alltel an ETC in the requested rural areas only if the designation is subject to Alltel's ongoing compliance with all the conditions set forth in Findings of Fact No. 72 below.

65. Any commitments made regarding the quality of telephone service provided by competing providers: Staff testified that it examined data on Alltel's historic quality of service, and in general saw improving trends (Tr. at 266), but recommended that Alltel's ETC designation be conditioned upon Alltel being required to provide service quality data and other information as may be required by the Commission and providing such data within the timeframe given in Staff's request to Alltel. Staff also recommended that Alltel be required to submit any consumer complaints that may arise from its ETC service offerings to the Commission's Consumer Service Division, to provide a regulatory contact, and to comply with the provisions of the Commission's customer service and termination of service rules. Alltel's witness Mr. Kracji objected to this latter recommendation, which would bring Alltel under Commission authority for all consumer service type issues (Tr. at 125), but stated that he would not object to agreeing to simply cooperate with the Commission's Consumer Services section if they have received an inquiry or complaint from a consumer (Tr. at 126). We find that the public interest requires more than an agreement to cooperate with the Commission's Consumer Services section if the Commission receives an inquiry or complaint from an Alltel customer. Receipt of the benefit of FUSF funds that will accrue to Alltel from its ETC designation in areas already served by companies receiving FUSF also confers upon Alltel certain

regulatory responsibilities, including ongoing oversight by this Commission of the quality of telephone service provided by Alltel. We therefore find that it is in the public interest to designate Alltel an ETC in the requested rural areas only if the designation is subject to Alltel's ongoing compliance with all the conditions set forth in Findings of Fact No. 72 below.

66. The competitive ETC's ability to provide the supported services throughout the designated service area within a reasonable time frame: Alltel has not provided an estimated time period in which it expects to achieve complete service coverage in the requested rural service areas. Staff recommended a condition on Alltel's ETC designation requiring that Alltel make detailed, publicly available annual filings that will be reviewed by Staff, showing how it is spending the FUSF funds it receives in Arizona. Requiring such annual filings, and requiring that Alltel continue to make the filings until a Commission determination that Alltel has demonstrated that they are no longer necessary, should create a strong incentive for Alltel to spend its FUSF funds in an appropriate manner so as to satisfy its obligation to serve the designated service areas within a reasonable time frame. We therefore find that it is in the public interest to designate Alltel an ETC in the requested rural areas only if the designation is subject to Alltel's ongoing compliance with all the conditions set forth in Findings of Fact No. 72 below.

67. We disagree with ALECA's claim that Staff's analysis of Alltel's capability to provide service in the requested rural service area was not sufficiently rigorous to enable this Commission to find that Alltel's request is in the public interest. We find instead that with Alltel's agreement to comply with the conditions we place on Alltel's ETC designation as set forth in Findings of Fact No. 72 below, it is in the public interest to designate Alltel as an ETC in its requested areas that are served by rural telephone companies. Receipt of universal service funds should allow Alltel to build out network infrastructure, upgrade existing facilities and expand into rural areas in which Alltel is licensed. The conditions will allow for ongoing oversight and review by this Commission of Alltel's service quality and progress in accomplishing the goals of universal service in the rural areas in which it is licensed. We find, therefore, that subject to Alltel's agreement to comply on an ongoing basis with all the conditions set forth in Findings of Fact No. 72 below, it is in the public interest to designate Alltel as an ETC for the areas served by the rural telephone companies in Arizona listed in

Exhibit A attached to this Decision.

Designation in Non-Rural ILEC Areas

68. ALECA took no position on Alltel's request for ETC status in areas not served by rural telephone companies (ALECA Cl. Br. at 5, fn 4).

Conditional Approval

69. Conditioned on Alltel's agreement to comply with all the conditions set forth in Findings of Fact No. 72 herein, we find that Alltel has the capability to offer the services that are supported by Federal universal service support mechanisms under Section 254(c) of the 1996 Act using its own facilities in the rural ILEC service area described in Exhibit A attached to this Decision and in the non-rural ILEC service area described in Exhibit B attached to this Decision, and has shown that it will advertise the availability of those services and the charges therefore using media of general distribution, all as required by Section 214(e)(2) of the 1996 Act for a carrier to receive an ETC designation.

70. Conditioned on Alltel's agreement to comply with all the conditions set forth in Findings of Fact No. 72 herein, we find that Alltel meets the requirements of Section 214(e)(1) of the 1996 Act to be designated as an ETC for the rural ILEC service area described in Exhibit A attached to this Decision and for the non-rural ILEC service area described in Exhibit B attached to this Decision.

71. Conditioned on Alltel's agreement to comply with all the conditions set forth in Findings of Fact No. 72 herein, we find that it is in the public interest that Alltel be designated as an ETC for the rural ILEC service areas described in Exhibit A attached to this Decision.

72. The grant of ETC status to Alltel shall be subject to Alltel's ongoing compliance with all of the following conditions:

1) Alltel shall make available Lifeline and Link Up services to qualifying low-income applicants in its ETC service area no later than 90 days following this Decision. Alltel shall send a letter to the Utilities Division Director to provide notification of the commencement date for the service.

2) Alltel shall file an informational tariff with the Commission, setting forth the rates,

terms and conditions for its general services (including, but not limited to, its Lifeline and Link Up service) and other services for which it receives FUSF support in the areas approved herein within thirty (30) days of this Decision. On an ongoing basis, Alltel shall comply with A.R.S. § 40-367 in amending its tariffs.

3) Alltel shall publicly file with its informational tariff accurate coverage-area maps of the portions of its service areas for which this Decision designates it an ETC within 30 days of this Decision. Alltel shall submit to the Commission, by November 15 of each year, commencing with 2005, the most accurate coverage-area maps available. Alltel shall also provide updated coverage-area maps upon request by the Commission. On an ongoing basis, prior to entering into any service contract with a potential customer, Alltel shall provide that potential customer with copies of the most accurate coverage-area maps available, in order to enable the potential customer to ascertain where, within the ETC designation areas, Alltel can actually provide service to that customer.

4) Alltel shall provide service quality data and other information as may be required by the Commission. Alltel shall provide such data within the timeframe given in Staff's request to Alltel.

5) Alltel shall submit any consumer complaints that may arise from its ETC service offerings to the Commission's Consumer Service Division, provide a regulatory contact, and comply with the provisions of the Commission's customer service rules, including establishment of service, minimum customer information requirements, service connection and establishment, provision of service, billing and collection, and termination of service. Alltel shall include the Commission's Consumer Service Division's telephone number on all bills issued to customers in its ETC service area.

6) Alltel shall submit its advertising plan for Lifeline and Link Up services to Staff for review prior to commencing service.

7) Alltel shall utilize all federal high-cost support that it receives based on the amount of per-line support received by the rural ILECs listed on Exhibit A, attached hereto and incorporated herein, only in those study areas described in Exhibit A, as they are redefined as a result of this Decision.

8) Alltel shall submit to the Commission, by November 15 of each year, commencing with 2004, an affidavit certifying that it will use all federal high-cost support for the ETC service area designated herein only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, consistent with Section 254(e) of the 1996 Act, and consistent with the preceding condition.

9) Alltel shall submit an annual filing detailing how it is utilizing its federal high-cost support for its ETC service area by November 15 of each year, commencing with 2005. This annual filing requirement shall continue until such time that this Commission issues an Order concluding that Alltel has demonstrated that the public interest no longer requires this annual filing requirement and ordering its

discontinuance.

10) Alltel shall maintain and retain auditable records of all expenditures of universal service funds received as a result of the ETC designation granted herein, and shall submit to an audit of those expenditures upon a request by Commission Staff.

11) Alltel shall submit a plan to Staff under seal within three months of the effective date of this Order detailing proposed projects to be funded by FUSF. The plan shall be reviewed by Staff and submitted with analysis to the Commission.

Study Area Redefinition

73. Alltel has requested that the Commission redefine the study areas of Arizona Telephone Company, CenturyTel of the Southwest, Inc., Midvale Telephone Exchange, Inc., Navajo Communications Company, South Central Utah Telephone Association, and Table Top Telephone Company to include only the wire centers in Alltel's service area, which are listed on page 2 of Exhibit A attached to this Decision.

74. Pursuant to the 1996 Act and FCC regulations,[31] an ETC designation involves the designation of a geographic area for the purpose of determining universal service obligations and support mechanisms for each designated ETC, and this Commission may designate a requested ETC service area that differs from the rural ILEC study area.

75. Staff states that pursuant to a Federal-State Joint Board on Universal Service Recommended Decision,[32] there are three factors to be considered in determining whether to define the service area of a provider seeking ETC designation differently from the ILEC study area: 1) whether the provider is attempting to "cream skim" by only proposing to serve the lowest cost exchanges;[33] 2) the provider's special status under the Telecommunications Act;[34] and 3) the administrative burden a rural ILEC could face as a result of the proposed service area designation.[35] Staff stated that Alltel is seeking ETC designation in both high and low-cost areas within the rural ILECs' study areas, that Alltel's ETC requested area is based on the area in which it is licensed to serve, and that Staff therefore has no concerns that Alltel is trying to "cream-skim," or serve only the

[31] 47 U.S.C. § 214(e)(5) and 47 C.F.R. § 54.201(b).
[32] *Federal-State Joint Board on Universal Service, Recommended Decision*, Docket 96-45, 12 FCC Rcd 87 (1996).
[33] *Id.* at para. 172.
[34] *Id.* at para. 173.
[35] *Id.* at para. 174.

low-cost, high revenue customers in a rural telephone company's service area (Staff Cl. Br. at 4). Staff further stated that it had not received information from rural ILECs indicating that they would be administratively burdened if Alltel were designated an ETC (Exh. S-1 at 7).

76. Rural ILECs possess the ability to disaggregate their study areas (*See* Exh. S-1 at 11). Disaggregation involves the ILEC conducting cost studies that segregate their cost areas at the wire center level rather than throughout their entire service area (Tr. at 80), and ensures that lower-cost areas receive lower levels of FUSF support (*See* Exh. S-1 at 11). This ability should alleviate the concern of rural ILECs that ETCs might engage in "cream-skimming."

77. Staff recommended approval of Alltel's request for redefinition of the study areas of the rural ILECs listed on page 2 of Exhibit A.

78. Consideration of the three factors outlined above demonstrates that the study areas of the rural ILECs listed on page 2 of Exhibit A should be redefined for purposes of Alltel's ETC designation for those service areas.

Conclusion

79. For the reasons set forth in the *Virginia Cellular* public interest analysis in Findings of Fact Nos. 62 through 67 above, we find that it is in the public interest to grant Alltel's application only subject to Alltel's ongoing compliance with all the conditions set forth in Findings of Fact No. 72 above. Our approval of Alltel's application is conditioned upon Alltel's agreement to comply with the set of conditions as a whole, and severance of any one condition from that set of conditions would result in this Commission's determination that the ETC designation for the requested areas served by rural telephone companies is not in the public interest. We will require that Staff closely monitor Alltel's timely compliance with the filing requirements included in that set of conditions. We will also require that Staff closely monitor, by means of examination of and investigation into the subject matter of those filings, Alltel's progress toward full service coverage in the underserved areas included in the ETC areas we conditionally designate herein. As part of that monitoring process, we will require Staff to track the percentages of Alltel's capital expenditures of FUSF funds for the expansion of its service area in comparison to its expenditure of FUSF funds for maintenance of its presently existing facilities.

CONCLUSIONS OF LAW

1. Alltel is a commercial mobile radio service provider as defined in 47 U.S.C. § 153(27) and A.A.C. R14-2-1201; a telecommunications carrier as defined in 47 U.S.C. § 153(44); and a common carrier as defined in 47 U.S.C. §153(10). Alltel is a common carrier within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over the subject matter of the application.

3. It is in the public interest to require, as a condition of Alltel's ETC designation, Alltel's compliance with all the conditions set forth in Findings of Fact No. 72 herein.

4. Conditioned on Alltel's compliance with all the conditions set forth in Findings of Fact No. 72 herein, Alltel meets the requirements for designation as an ETC in the requested areas.

5. It is in the public interest to designate Alltel as an ETC in all the requested areas, including those that are served by rural ILECs, conditioned on Alltel's compliance with all the conditions set forth in Findings of Fact No. 72 herein.

6. Alltel's request for redefinition of the study areas of the rural ILECs listed on page 2 of Exhibit A, for purposes of Alltel's ETC designation, should be granted, subject to Alltel's compliance with all the conditions set forth in Findings of Fact No. 72 herein.

ORDER

IT IS THEREFORE ORDERED that 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, as amended by the Telecommunications Act of 1996, for purposes of receiving federal universal service support in Arizona, for the service areas set forth in Exhibit A and Exhibit B, attached hereto and incorporated herein by reference, is hereby approved, conditioned on Alltel Communications, Inc.'s compliance with all the conditions set forth in Findings of Fact No. 72 above.

IT IS FURTHER ORDERED that the request of Alltel Communications, Inc. for redefinition of the study areas of Arizona Telephone Company, CenturyTel of the Southwest, Inc., Midvale Telephone Exchange, Inc., Navajo Communications Company, South Central Utah Telephone Association, and Table Top Telephone Company to include only the wire centers in Alltel-

Communications, Inc.'s service area, which wire centers are listed on page 2 of Exhibit A attached hereto and incorporated herein by reference, is hereby approved, conditioned on Alltel Communications, Inc.'s compliance with all the conditions set forth in Findings of Fact No. 72 above.

IT IS FURTHER ORDERED that Staff shall closely monitor Alltel Communications, Inc.'s timely compliance with the filing requirements included in the conditions set forth in Findings of Fact No. 72 above. Staff shall also examine and investigate those filings in order to determine Alltel's progress toward full service coverage in the underserved areas included in the ETC areas we conditionally designate herein. In doing so, Staff shall track the percentage of Alltel Communications, Inc.'s FUSF capital expenditures for the expansion of its service area compared to the percentage of Alltel Communications, Inc.'s FUSF expenditures for the maintenance of its presently existing infrastructure in the ETC service area.

IT IS FURTHER ORDERED that Staff shall review the plan submitted by Alltel Communications, Inc. and submit it with analysis to the Commission.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN | COMMISSIONER | COMMISSIONER

COMMISSIONER | COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 2 day of November, 2004.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT

DISSENT

TW:mj

SERVICE LIST FOR: ALLTEL COMMUNICATIONS, INC.

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ALLTEL

RURAL ILEC STUDY AREAS ENTIRELY SERVED BY ALLTEL IN THE STATE OF ARIZONA

COUNTY	INCUMBENT LEC	WIRE CENTER NAME	CILLI CODE
Maricopa County	ACCIPITER COMMUNICATIONS INC	PEORIA	PEORAZZF
Maricopa County	GILA RIVER TELECOMM INC.	CHANDLER	LNBTAZXC
Maricopa County	GILA RIVER TELECOMM INC.	KOMATKE	KMTKAZXA
Maricopa County	GILA RIVER TELECOMM INC.	LAVEEN	MRVGAZXC
Pinal County	GILA RIVER TELECOMM INC.	SACATON	BLWRAZXA
Pinal County	GILA RIVER TELECOMM INC.	SACATON	SCTNAZXC
Pinal County	GILA RIVER TELECOMM INC.	SACATON	CSBLAZXA
Pinal County	GILA RIVER TELECOMM INC.	SACATON	STTNAZXA
Gila County	SAN CARLOS APACHE TELECOMMUNICAT	PERIDOT	PRDTAZ01
Pima County	TOHONO O ODHAM UTILITY AUTHORITY	SAN SIMON	SNRSAZXC
Pima County	TOHONO O ODHAM UTILITY AUTHORITY	SELLS	SLLSAZXA
Pima County	TOHONO O ODHAM UTILITY AUTHORITY	SELLS	SNRSAZXA

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DECISION NO. _____

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
Maricopa County	MIDVALE TELEPHONE EXCHANGE INC.	GRANITE MOUNTAIN	SCDMAZ89DSO
Yavapai County	MIDVALE TELEPHONE EXCHANGE INC.	MILLSITE	DEWYAZ01DSO
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
Yavapai County	TABLE TOP TELEPHONE CO. INC.	INSCRIPTION CANYON	SGMNAZXCDSO
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

ALLTEL
NON-RURAL WIRE CENTERS SERVED IN THE STATE OF ARIZONA

COUNTY	INCUMBENT LEC	WIRE CENTER NAME	CILLI CODE
Maricopa County	QWEST CORPORATION	AVONDALE	GDYRAZCW
Maricopa County	QWEST CORPORATION	BUCKEYE	BCKYAZMA
Maricopa County	QWEST CORPORATION	CAVE CRK	CVCKAZMA
Maricopa County	QWEST CORPORATION	CHANDLER	CHNDAZSO
Maricopa County	QWEST CORPORATION	CHANDLER	CHNDAZWE
Maricopa County	QWEST CORPORATION	CHANDLER	CHNDAZMA
Maricopa County	QWEST CORPORATION	FOUNTAIN HLS	FTMDAZMA
Maricopa County	QWEST CORPORATION	GILA BEND	GLBNAZMA
Maricopa County	QWEST CORPORATION	GILBERT	MESAAZGI
Maricopa County	QWEST CORPORATION	GLENDALE	GLDLAZMA
Maricopa County	QWEST CORPORATION	HIGLEY	HGLYAZMA
Maricopa County	QWEST CORPORATION	LITCHFIELD PK	WHTKAZMA
Maricopa County	QWEST CORPORATION	LITCHFIELD PK	LTPKAZMA
Maricopa County	QWEST CORPORATION	MESA	MESAAZMA
Maricopa County	QWEST CORPORATION	MESA	SPRSAZWE
Maricopa County	QWEST CORPORATION	MESA	SPRSAZMA
Maricopa County	QWEST CORPORATION	MORRISTOWN	CRCYAZNM
Maricopa County	QWEST CORPORATION	NEW RIV	PHNXAZBW
Maricopa County	QWEST CORPORATION	NEW RIV	NWRVAZMA
Maricopa County	QWEST CORPORATION	PARADISE VLY	SCDLAZTH
Maricopa County	QWEST CORPORATION	PEORIA	PHNXAZPR
Maricopa County	QWEST CORPORATION	PEORIA	AGFIAZSR
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZGR
Maricopa County	QWEST CORPORATION	PHOENIX	DRVYAZNO
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZSY
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZEA
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZMA
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZLV
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZ81
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZPP
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZSO
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZSE
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZWE
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZ93
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZMY
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZNO
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZNE
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZNW
Maricopa County	QWEST CORPORATION	PHOENIX	PHNXAZCA
Maricopa County	QWEST CORPORATION	QUEEN CREEK	HGLYAZQC
Maricopa County	QWEST CORPORATION	RIO VERDE	FTMDAZNO
Maricopa County	QWEST CORPORATION	SCOTTSDALE	SCDLAZMA
Maricopa County	QWEST CORPORATION	SCOTTSDALE	SCDLAZSH
Maricopa County	QWEST CORPORATION	SCOTTSDALE	PRVYAZPP
Maricopa County	QWEST CORPORATION	SUN CITY	BRDSAZMA
Maricopa County	QWEST CORPORATION	TEMPE	TEMPAZMA
Maricopa County	QWEST CORPORATION	TEMPE	TEMPAZMC
Maricopa County	QWEST CORPORATION	TOLLESON	TLSNAZMA
Maricopa County	QWEST CORPORATION	TONOPAH	WNBGAZ01
Maricopa County	QWEST CORPORATION	WICKENBURG	WCBGAZMA
Maricopa County	QWEST CORPORATION	YOUNGTOWN	PHNXAZMR
Pima County	QWEST CORPORATION	GRN VLY	GNVYAZMA
Pima County	QWEST CORPORATION	MARANA	MARNAZMA
Pima County	QWEST CORPORATION	MARANA	MARNAZ02
Pima County	QWEST CORPORATION	TUBAC	TUBCAZMA
Pima County	QWEST CORPORATION	TUCSON	TCSNAZSE
Pima County	QWEST CORPORATION	TUCSON	TCSNAZSO
Pima County	QWEST CORPORATION	TUCSON	TCSNAZSW
Pima County	QWEST CORPORATION	TUCSON	TCSNAZCR

EXHIBIT B

DECISION NO. 67403

ALLTEL
NON-RURAL WIRE CENTERS SERVED IN THE STATE OF ARIZONA

COUNTY	INCUMBENT LEC	WIRE CENTER NAME	CILLI CODE
Pima County	QWEST CORPORATION	TUCSON	TCSNAZMA
Pima County	QWEST CORPORATION	TUCSON	TCSNAZEA
Pima County	QWEST CORPORATION	TUCSON	TCSNAZWE
Pima County	QWEST CORPORATION	TUCSON	TCSNAZRN
Pima County	QWEST CORPORATION	TUCSON	TCSNAZFW
Pima County	QWEST CORPORATION	TUCSON	TCSNAZTV
Pima County	QWEST CORPORATION	TUCSON	TCSNAZCA
Pima County	QWEST CORPORATION	TUCSON	TCSNAZCO
Pima County	QWEST CORPORATION	TUCSON	TCSNAZNO
Pima County	QWEST CORPORATION	TUCSON	TCSNAZML
Pima County	QWEST CORPORATION	TUCSON	CRNDAZMA
Pima County	QWEST CORPORATION	VAIL	VAILAZSO
Pima County	QWEST CORPORATION	VAIL	VAILAZNO
Yavapai County	QWEST CORPORATION	ASH FORK	ASFKAZMA
Yavapai County	QWEST CORPORATION	BLACK CANYON	BLCNAZMA
Yavapai County	QWEST CORPORATION	CAMP VERDE	CMVRAZMA
Yavapai County	QWEST CORPORATION	CAMP VERDE	CMVRAZRR
Yavapai County	QWEST CORPORATION	CHINO VALLEY	CHVYAZMA
Yavapai County	QWEST CORPORATION	COTTONWOOD	CTWDAZMA
Yavapai County	QWEST CORPORATION	COTTONWOOD	CTWDAZSO
Coconino County	QWEST CORPORATION	FLAGSTAFF	FLGSAZSO
Coconino County	QWEST CORPORATION	FLAGSTAFF	FLGSAZMA
Coconino County	QWEST CORPORATION	FLAGSTAFF	FLGSAZEA
Coconino County	QWEST CORPORATION	GRAND CANYON	GRCNAZMA
Coconino County	QWEST CORPORATION	PAGE	PAGEAZMA
Yavapai County	QWEST CORPORATION	PRESCOTT	PRSCAZMA
Yavapai County	QWEST CORPORATION	PRESCOTT	HMBLAZMA
Yavapai County	QWEST CORPORATION	PRESCOTT	MAYRAZMA
Yavapai County	QWEST CORPORATION	PRESCOTT	PRSCAZEA
Yavapai County	QWEST CORPORATION	SEDONA	SEDNAZSO
Yavapai County	QWEST CORPORATION	SEDONA	SEDNAZMA
Coconino County	QWEST CORPORATION	SEDONA	MSPKAZMA
Coconino County	QWEST CORPORATION	WILLIAMS	WLMSAZMA
Yavapai County	QWEST CORPORATION	YARNELL	YRNLAZMA
Pinal County	QWEST CORPORATION	APACHE JCT	SPRSAZEA
Pinal County	QWEST CORPORATION	ARIZONA CITY	AZCYAZ03
Pinal County	QWEST CORPORATION	CASA GRANDE	CSGRAZMA
Pinal County	QWEST CORPORATION	COOLIDGE	CLDGAZMA
Pinal County	QWEST CORPORATION	DUDDLEYVILLE	DDVLAZNM
Pinal County	QWEST CORPORATION	ELOY	ELOYAZ01
Pinal County	QWEST CORPORATION	FLORENCE	FLRNAZMA
Gila County	QWEST CORPORATION	GLOBE	GLOBAZMA
Gila County	QWEST CORPORATION	HAYDEN	HYDNAZMA
Pinal County	QWEST CORPORATION	KEARNY	KRNYAZMA
Pinal County	QWEST CORPORATION	MAMMOTH	MMTHAZMA
Pinal County	QWEST CORPORATION	MARICOPA	MRCPAZMA
Gila County	QWEST CORPORATION	MIAMI	MIAMAZMA
Pinal County	QWEST CORPORATION	ORACLE	ORCLAZMA
Gila County	QWEST CORPORATION	PAYSON	PYSNAZMA
Gila County	QWEST CORPORATION	PINE	PINEAZMA
Pinal County	QWEST CORPORATION	SAN MANUEL	SNMNAZMA
Pinal County	QWEST CORPORATION	STANFIELD	STFDAZMA
Pinal County	QWEST CORPORATION	SUPERIOR	SPRRAZMA
Gila County	QWEST CORPORATION	TONTO CREEK	TNCKAZMA
Pinal County	QWEST CORPORATION	WHITLOW	WHTLAZMA
Navajo County	QWEST CORPORATION	WINSLOW - partial	WNSLAZMA

EXHIBIT B

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