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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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IN THE MATTER OF THE INVESTIGATION OF  
THE COST OF TELECOMMUNICATIONS  
ACCESS.

DOCKET NO. T-00000D-00-0672

**PROCEDURAL ORDER**

**BY THE COMMISSION:**

On September 5, 2000, the Commission's Utilities Division ("Staff") filed a Request for an Investigatory Docket Regarding the Cost of Access to determine if access charges currently in effect reflect cost of access.

On March 30, 2001, the Residential Utility Consumer Office ("RUCO") filed a request to intervene and that request was granted on April 11, 2001.

On April 17, 2001, AT&T Communications of the Mountain States, Inc. ("AT&T") requested intervention. Subsequently, AT&T was granted intervention on May 7, 2001.

On May 2, 2001, Sprint Communications Company, LP ("Sprint") requested intervention and was granted intervention on May 17, 2001.

On May 17, 2001, Qwest Corporation ("Qwest") filed a Motion for Leave to Intervene ("Motion"). The Motion was granted on May 31, 2001.

On November 21, 2001, Staff of the Commission filed a Request for a Procedural Order ("Request") which set out a list of questions to be responded to by interested parties, and further proposed additional procedural steps.

On November 29, 2001, Qwest filed a Response to Staff's Request for a Procedural Order. Qwest does not believe that it is appropriate to solicit comments on Item No. 24 because there is a separate docket that is pending before the Commission on that issue. Although there is a separate docket, we will still request comments on Item No. 24. The comments do not have to duplicate the evidence, but may refer to the testimony in the other docket, and it appears that Item No. 24 is intended primarily to inform the Commission how the issues in the two dockets relate to each other.

1 IT IS THEREFORE ORDERED that interested parties shall provide written comment on the  
2 following issues/questions, no later than January 4, 2002:

- 3
- 4 1. Do you believe that the Commission ought to restructure access charges? Please  
5 explain your response.
- 6 2. What recommendation to the Commission would you make regarding how intrastate  
7 access charges should be reformed?
- 8 3. Would you recommend the Commission address both switched and special access in  
9 an access charge reform proceeding? If your response is yes, please explain.
- 10 4. Parties who desire that switched access charges be reformed often state that switched  
11 access charges in general, and the CCL rate element in particular, contain implicit  
12 subsidies. Do you agree with this statement? Please provide an explanation of the  
13 rationale for your position, including any computations that you might have made.
- 14 5. Can implicit subsidies be quantified?
- 15 a. What is the appropriate cost standard to be used to determine whether access charges  
16 are free of implicit subsidies?
- 17 b. What cost standard is used to set interstate access charges? Is this cost standard  
18 appropriate for intrastate rates?
- 19 6. Do you believe that interexchange carrier switched access charges ought to exist?  
20 Please provide your rationale for your position on this matter.
- 21 7. Please provide the following to assist in developing a rough estimate of the extent to  
22 which implicit subsidies exist in access charges assessed by Arizona local exchange  
23 companies.
- 24 a. What is your estimate of the implicit subsidies in access charges that exist on a  
25 statewide basis?
- 26 b. Please explain how that estimate was developed.
- 27 c. What is your estimate of the existing implicit subsidies that exist by local exchange  
28 company?
8. Should access charges be set at the same rates as unbundled network elements for the  
same network elements and functionalities? Please explain your response.
9. Your responses to the following questions will assist the Commission in determining  
how to proceed with this case from a procedural perspective.

- 1 a. What procedure would you recommend be used to address switched access  
2 charge reform? For example, would you recommend a generic proceeding to  
3 address the issues in general with the objective being the reform, restructure  
4 and resetting of switched access charges for every LEC in the State?
- 5 b. What issues do you believe should be addressed in a proceeding to determine  
6 whether and to what extent intrastate access charges ought to be reformed?
- 7 c. Would you recommend that the Commission limit the initial switched access  
8 charge proceeding to the largest ILECs in Arizona? If your response is yes,  
9 please identify those companies that you believe should be included in this  
10 proceeding.
- 11 d. Would you recommend that the Commission address access charge reform for  
12 large, intermediate and small local exchange companies (as defined in the  
13 Commission's Arizona Universal Service Fund rules) individually? Please  
14 explain.
- 15 e. Would you recommend that the proceeding address switched access charges  
16 assessed by CLECs and/or other telecommunications companies?
- 17 f. Given your vision of what the proceeding would address, how much time do  
18 you expect would be required to complete the proceeding?
- 19 10. For companies that provide access service, please provide the dollar amount of  
20 revenues from switched access charges that you received by rate element, by month,  
21 for the period July 1, 2000 through June 30, 2001.
- 22 11. For companies that purchase access service, please provide the dollar amount of the  
23 payments for switched access charges that you made (by company, rate element, and  
24 month if possible) for the period July 1, 2000 through June 30, 2001.
- 25 12. Do you believe that it would be possible to eliminate the potential that local exchange  
26 service providers can exert monopoly power in the access service market by assessing  
27 the switching, transport and CCL charges on the end users rather than on  
28 interexchange carriers? Could customers then shop for local exchange service  
customers for the least cost provider of access in addition to local service, etc.?
13. Do you believe that there is a difference in the costs of providing interstate switched  
access service versus intrastate-switched access service? In your response, please  
include a description of how costs are defined in your response and how those costs  
relate to costs allocated to the intrastate jurisdiction under the FCC's Separations rules.
14. In the CALLS Decision, the FCC implemented changes that would eliminate carrier  
common line charges and establish an interstate universal service support mechanism.  
Do you believe that the Commission ought to address the Arizona Universal Service  
Fund mechanism concurrent with the reform of intrastate access charges?

- 1 15. The FCC released its Access Charge Reform Order ("MAG Order") for rate of return  
2 companies on November 8, 2001. Please comment on the extent to which you believe  
3 the ACC should adopt any components of the MAG Order.
- 4 16. Should the Commission address CLEC access charges as part of this Docket?
- 5 17. Should additional considerations be taken into account when restructuring and/or  
6 setting access charges for small rural carriers? Please explain your response.
- 7 18. What is the effect of Qwest's Price Cap Plan on the issues raised in this proceeding as  
8 they pertain to Qwest? With regard to Qwest, switched access is a Basket 2 service  
9 and special access is a Basket 3 service. What impact does this have, if any, on  
10 restructuring access charges in this proceeding as it would pertain to Qwest?
- 11 19. With regard to Qwest, what impact would Qwest receiving Section 271 authority have  
12 on the issues raised in this proceeding? Please explain your response.
- 13 20. One of the stated objectives of the Qwest Price Cap Plan was to achieve parity  
14 between interstate and intrastate access charges. Is this something that should be  
15 looked at by the Commission in this proceeding?
- 16 21. Are there other issues besides the rate restructuring and costing issues raised herein  
17 that should be addressed by the Commission in this Docket?
- 18 22. Are there other State proceedings and/or decisions that you would recommend the  
19 Commission examine before it proceeds with this Docket? Please attach any relevant  
20 State commission decisions to your comments.
- 21 23. Please provide your recommendations for a procedural schedule in this case.
- 22 24. Please comment on the issues raised in Docket No. T-01051B-01-0391, In the Matter  
23 of Qwest Corporation's Tariff Filing to Introduce a New Rate Structure for an Access  
24 Service Used By Interexchange Carriers and their relationship to this Docket.
- 25 25. Please comment on any other issues you believe may be relevant to the Commission's  
26 examination of intrastate access charges.

27 IT IS FURTHER ORDERED that Staff shall file a proposed recommendation on how to  
28 proceed with this Docket and a proposed procedural schedule, no later than January 21, 2002.

IT IS FURTHER ORDERED that parties shall file responses to Staff's proposed procedural  
schedule no later than January 28, 2002.

IT IS FURTHER ORDERED that a procedural conference will be held on February 5, 2002,  
at 1:30 p.m., or as soon thereafter as is practical, at the Commission's offices, 1200 West Washington

1 Street, Phoenix, Arizona.

2 DATED this 3rd day of December, 2001.

3  
4   
5 LYN FARMER  
6 CHIEF ADMINISTRATIVE LAW JUDGE

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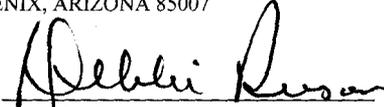
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