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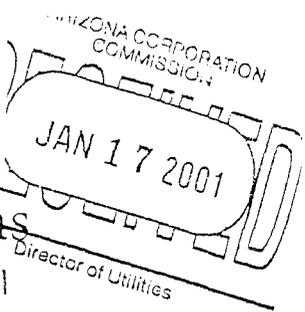
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2001 MAR 14 AM 11:21
Director of Utilities

January 16, 2001

To: Chairman William A. Mundell
Commissioner Jim Ervin
Commissioner Marc Spitzer

CC: Rhonda Trower

Attachment: Suggested Tariff Changes

Dear Commissioners:

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MAR 14 2001

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

We are writing in hopes of persuading you for the need to make changes to the existing tariff under which Qwest Communications operates in Arizona. Specifically, we seek changes to section 4.4, titled *Planning Agreement For Housing Developments of the Exchange and Network Services Tariff and Price List*.

There are two primary reasons to change this tariff provision. First, as it currently exists, it allows and even facilitates Qwest Communications to be unresponsive to the needs of land developers. Second, it unnecessarily restricts land developers options for telephone network development (within their land developments) to what Qwest Communications will provide (schedule and material wise).

The only concession this tariff provides to developers, in its current form (in paragraph 4.4-B-3), is an allowance for the developers to place Qwest provided materials—without any compensation. Of course this concession requires Qwest's approval and Qwest's arrangement for and provisioning of the necessary materials (which is all too often the excuse used for scheduling delays). Additionally, this tariff is written in a manner that reflects only the service rendered by Qwest—in providing the telephone network to the development—and not the service rendered to Qwest by the developer—in providing additional revenue sources (subscribers).

Our recommendation is to replace the *Planning Agreement For Housing Developments* with a *Land Development Agreement (LDA)*, similar to those implemented by the states of Colorado and Utah. These LDA-tariffs provide developers with a competitive environment for meeting their telephone network development needs and still assures that, through stringent inspection standards, a quality telephone distribution network is placed. Further, developers benefit regardless of who provides the service. For example, in Utah, Qwest is now expediting a construction schedule for Patterson Construction Co. (developer) due to the developer's pursuit of a competitive source.

In closing, we ask you to talk to Arizona developers, like Mike Skinner and Scott Spencer of The Development Group (TDG) or Bob Kammann of Kammann Development (both development companies of Yuma), concerning this issue. We are certain that you will find that Arizona developers greatly desire to eliminate costly delays. The recommended LDA tariff structure, as attached, would provide Arizona developers with the competitive environment that will help eliminate those delays.

Sincerely,

O. Doyle Bodine
Desert Excavating President

William R. Bodine
SBS Telecommunications President

4. CONSTRUCTION CHARGES AND OTHER SPECIAL CHARGES

4.4 LAND DEVELOPMENT AGREEMENTS

A. Description

A Land Development Agreement (LDA) is a written agreement entered into between the Company and the Developer/Builder for the provision of distribution facilities, within new areas of land development. The Company offers two Agreement options. Option 1, Company Engineered/Designed; Option 2, Developer Engineered/Designed.

B. Terms and Conditions

1. An LDA is required where Developers/Builders plan to develop four or more lots. Less than four lots will be treated according to the terms set forth under Construction Charges.
2. Regardless of the option selected, the Developer/Builder will provide trench and backfill for the facilities. In addition, the Developer Builder must enter into an LDA with the Company. The LDA will include:
 - a. Description of the subdivision or development;
 - b. Trench and backfill plans and specifications;
 - c. Trench excavation and backfill schedules;
 - d. Rights, responsibilities and liabilities associated with trench and backfill work;
 - e. Provision for notification between the Company and Developer/Builder; such as, 90 days prior to the backbone trench date, and 21 days notice of the completion date of the living unit;
 - f. Coordination of inspection schedules;
3. The Developer/Builder must provide to the Company an addressed, recorded plat in electronic, digitized or written format.
4. All costs associated with trench and backfill will be borne by the Developer/Builder. The surface of the easement area must be brought to within six inches of final grade prior to the installation of communication facilities.
5. If the Developer is not the Builder, the Builder or premises owner will be responsible for the provision of the trench for the service drop to the living unit.
6. All charges to be borne by the Company will be an amount that does not exceed, or is less than, the distribution portion of the average exchange loop investment, times 125%, times the number of lots in the development.
7. The Property Owner/Developer/Builder holding title to the property will grant and convey to the Company all necessary non-exclusive easements (form to be provided by the Company). The easements will provide for the Company to construct, reconstruct, operate, maintain and remove such telecommunications facilities, electrical facilities, gas facilities and appurtenances, from time to time, as the Company may require upon, over, under and across the property.

4. CONSTRUCTION CHARGES AND OTHER SPECIAL CHARGES

4.4 LAND DEVELOPMENT AGREEMENTS

B. (Cont'd)

The width and length of the easement will be determined at the time of the request. In general, all easements will be a standard width of eight feet along the front and rear lot lines and five feet wide along all side lot lines unless otherwise agreed upon. Additional cost associated with the cost of acquiring easements will be paid by the Property Owner/Developer/Builder.

8. In all cases, the Company retains ownership of the installed plant.
9. In areas where the Company has existing trench and backfill agreements with local power utilities, the Developer/Builder shall be responsible for the Company's portion of the trench and backfill costs.
10. Distribution facilities covered by an LDA cannot be used for subsequent developments until they are covered by a new LDA.
11. The LDA may include other terms and conditions as appropriate.

C. Options

- 1 Option 1 — Facilities Engineered, Designed, Placed and Spliced by the Company.
 - a. Using standard Company specifications, the Company will engineer, design, secure all materials and provide the labor to place and test the facilities within the development. There is no charge to the Developer/Builder as long as the cost does not exceed the distribution portion of the average exchange loop investment. See B.6
- 2 Option 2 — Facilities Engineered, Designed, Placed and Spliced by the Developer/Builder.
 - a. Using standard Company specifications, the Developer/Builder will engineer, design, secure all material and provide the labor to place the facilities within the development.
 - b. The Developer's/Builder's job prints and material list must be submitted to the Company for approval prior to the construction of the facilities.
 - c. The Developer/Builder must give the Company the opportunity to inspect the placement of the facilities and perform conformance testing.
 - d. Once work is complete and the Company has inspected the facilities, the Developer/Builder will transfer ownership of all facilities placed to the Company. Prior to the transfer, all costs for the facilities and work shall have been paid in full. The transfer will be free and clear of any and all liens and encumbrances and shall be accompanied by an indemnification holding the Company harmless from all claims arising from the purchase and placement of the facilities.
 - e. Once the Company has accepted the facilities, the Company will reimburse the Developer/Builder their costs, as identified in the LDA, not to exceed the distribution portion of the average exchange loop investment. See B.6.