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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
QWEST COMMUNICATIONS
CORPORATION D/B/A QWEST LONG
DISTANCE FOR EXTENSION OF ITS
EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
INCLUDE AUTHORITY TO PROVIDE
RESOLD AND FACILITIES-BASED LOCAL
EXCHANGE AND RESOLD LONG
DISTANCE SERVICES IN ADDITION TO ITS
CURRENT AUTHORITY TO PROVIDE
FACILITIES-BASED LONG DISTANCE
SERVICES, AND PETITION FOR
COMPETITIVE CLASSIFICATION OF
PROPOSED SERVICES WITHIN THE STATE
OF ARIZONA.

DOCKET NO. T-02811B-04-0313

PROCEDURAL ORDER

BY THE COMMISSION:

On April 23, 2004, Qwest Communications Corporation d/b/a Qwest Long Distance¹ ("QCC") filed an Application and Petition with the Arizona Corporation Commission ("Commission") requesting that its existing Certificate of Convenience and Necessity ("CC&N") be extended to include the authority to provide resold long distance service, resold local exchange service and facilities-based local exchange service in addition to the facilities based long distance authority previously granted.²

The hearing on this matter commenced May 17, 2005. QCC and the Commission's Utilities Division Staff ("Staff") appeared and presented evidence. During the hearing on that date, Staff's witness stated that in light of Staff's new recommendation in the Supplemental Staff Report, Staff would recommend that the limited waiver of the Commission's Affiliated Interests Rules granted in

¹ The application states that the applicant does business under the d/b/a Qwest Long Distance for its interexchange business.
² See Decision No. 66612 (December 10, 2003).

1 Decision No. 64654 be revisited, but did not have a specific recommendation at that time. QCC and
2 Staff stated that they would confer regarding the procedural schedule in this matter on a going-
3 forward basis to allow for additional testimony on the issue, and would then request a procedural
4 conference.

5 On May 27, 2005, QCC filed a Post-Hearing Submission that included exhibits addressing
6 issues raised during the hearing.

7 By Procedural Order issued June 9, 2005, a Procedural Conference was scheduled for the
8 purpose of discussing the continuing conduct of this matter, including the date by which Staff can file
9 its specific written recommendations regarding the limited waiver of the Commission's Affiliated
10 Interests Rules granted in Decision No. 64654, as well as any other Staff recommendations, and a
11 date for QCC's written response. The June 9, 2005 Procedural Order suspended the timeclock for a
12 final Commission Decision in this matter due to the continuance of the hearing.

13 On June 10, 2005, QCC filed a Notice of Filing Supplemental Authority.

14 On June 16, 2005, Staff filed a Notice of Filing Staff's Position on Continuation of the Partial
15 Waiver of A.A.C. R14-2-803 granted in Decision No. 64654.

16 A Procedural Conference was held as scheduled on June 16, 2005. At the Procedural
17 Conference, the parties were informed of several issues that should be addressed in this proceeding in
18 order to inform the Commission in its Decision in this matter. Those issues are as follows:

19 1) If Staff's recommendations in its Supplemental Staff Report are adopted, why is it
20 unnecessary for the Commission to look at the current waiver from the Affiliated Interests Rules held
21 by QCC's parent Qwest Corporation ("Qwest"), given that Qwest's competitive affiliate would be
22 allowed to compete head-to-head for Qwest's regulated business? In responding to this question, the
23 parties should address the purpose of the Affiliated Interests Rules, and what the risks and benefits
24 are of keeping the waiver in place.

25 2) Why should QCC be allowed to take customers and their associated revenues away
26 from Qwest, the regulated entity?

27 3) What is the difference in the way Qwest and QCC revenues would be treated from a
28 ratemaking perspective, and what will the effect of the difference be on Qwest's revenues and future

1 rates?

2 4) How can the Commission insure that maintenance and expansion of Qwest's
3 infrastructure will not suffer as a result of allowing QCC to take customers and their revenues away
4 from Qwest?

5 5) If all of Staff's recommendations in its Supplemental Staff Report are not adopted,
6 what changes to the existing waiver would Staff recommend, and what procedure would Staff
7 propose for effecting any recommended changes?

8 6) Why are Staff's alternative recommendations in the Supplemental Staff Report in the
9 public interest?

10 7) What is Staff's response to QCC's June 10, 2005 Notice of Filing Supplemental
11 Authority?

12 On June 21, 2005, QCC docketed a Supplemental Filing and Motion to Amend Order
13 Suspending Timeclock. In its filing, QCC requested that the timeclock be reinstated, that the
14 Affiliated Interests Rules waiver issue be severed from this proceeding, and that a Procedural Order
15 be issued setting a schedule for a single round of post-hearing briefs.

16 On June 23, 2005, a Procedural Order was issued directing Staff to file a response to QCC's
17 June 21, 2005 Motion by June 30, 2005, and setting a Procedural Conference for July 7, 2005 for the
18 purpose of taking oral argument on QCC's Motion and Staff's Response to it.

19 A Procedural Conference was convened as scheduled on July 7, 2005. The parties presented
20 oral argument in support of their positions. The arguments were considered, and a ruling was made
21 directing Staff to file, by August 5, 2005, supplemental direct testimony addressing the seven issues
22 set forth above in addition to addressing the post-hearing filings made by QCC, and directing QCC to
23 file rebuttal to Staff's supplemental direct testimony by August 17, 2005. The parties were informed
24 that a date would also be set for the continuation of the hearing.

25 IT IS THEREFORE ORDERED that the Commission's Utilities Division Staff shall file
26 supplemental direct testimony addressing the seven issues set forth above and addressing the post-
27 hearing filings made by Qwest Communications Corporation d/b/a Qwest Long Distance, no later
28 than August 5, 2005.

1 IT IS FURTHER ORDERED that Qwest Communications Corporation d/b/a Qwest Long
2 Distance shall file rebuttal to Staff's supplemental direct testimony no later than August 17, 2005.

3 IT IS FURTHER ORDERED that the **hearing** in this matter shall reconvene on **August 29,**
4 **2005, at 10:00 a.m.,** at the Commission's offices in Phoenix, 1200 West Washington, Phoenix,
5 Arizona 85007.

6 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
7 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

8 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
9 Communications) continues to apply to this proceeding.

10 DATED this 11th day of July, 2005.

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14 TEENA WOLFE
ADMINISTRATIVE LAW JUDGE

15 The foregoing was mailed/delivered
16 this 11 day of July 2005 to:

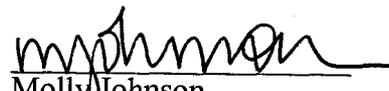
17 Timothy Berg
18 Theresa Dwyer
19 FENNEMORE CRAIG, PC
20 3003 N. Central Avenue, Ste.. 2600
21 Phoenix, AZ 85012
22 Attorneys for Qwest Communications
23 Corporation

24 Norman G. Curtright
25 Corporate Counsel
26 QWEST CORPORATION
27 4041 N. Central Avenue, Ste. 1100
28 Phoenix, AZ 85012

Christopher Kempley, Chief Counsel
Maureen Scott, Attorney
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

Ernest G. Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

ARIZONA REPORTING SERVICE, INC.
2627 N. Third Street, Ste. Three
Phoenix, Arizona 85004-1104

By: 
Molly Johnson
Secretary to Teena Wolfe