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BEFORE THE ARIZONA CORPORATION COMMISSION

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WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF MIDVALE TELEPHONE
EXCHANGE, INC.'S APPLICATION FOR
AUTHORITY TO INCREASE RATES AND FOR
DISBURSEMENT FROM THE ARIZONA
UNIVERSAL SERVICE FUND.

DOCKET NO. T-0253A-00-0512
QWEST CORPORATION'S NOTICE OF
FILING TESTIMONY SUMMARY

Pursuant to the Procedural Order issued in this proceeding
on February 1, 2001, Qwest Corporation ("Qwest"), hereby submits
its testimony summary of the following witness:

1. Starla R. Rook, Qwest Corporation, Manager-Policy and
Law.

DATED this 16th day of May, 2001.

FENNEMORE CRAIG, P.C.

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ORIGINAL and ten copies of the
Foregoing filed this 16th day of
May, 2001 with:

Docket Control
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Arizona Corporation Commission
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1 One copy of the foregoing hand-delivered
2 this 16th day of May,
2001 to:

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Summary of the Direct Testimony of Starla R. Rook on behalf of Qwest Corporation

In this rate case, Midvale has proposed an expansion of the local calling areas between Midvale's Cascabel exchange and Qwest's Benson and San Manuel exchanges. Qwest opposes Midvale's proposal on two fronts: 1) Midvale has failed to demonstrate that a mutual community of interest exists between the exchanges which would justify expansion of the local calling area, and 2) Midvale's proposal will result in a calling structure which may be used to provide illegal EAS bridging.

Community of Interest

The last major EAS expansion in Arizona occurred within the parameters of the 1993 U S WEST (n/k/a Qwest) rate case. In that case, the Commission analyzed factors such as public input, call volume and direction, socio-economic linkages, and contiguity to determine whether sufficient justification existed to warrant expansion of local calling areas. Following resolution of the rate case, the Commission hosted an industry workshop to explore issues surrounding EAS. General consensus following conclusion of the workshop was that the EAS areas established in the 1993 rate case were far-reaching enough that additional expansion would not be required for some time. As a result, formal rules to address factors to be considered when establishing EAS areas were never adopted. Qwest recommends that if the Commission is now going to entertain EAS expansion requests, such rules be developed. The surrebuttal testimony submitted by Allen Buckalew on behalf of the Commission reiterates the need for EAS rules. In his testimony, submitted in this docket on May 3, 2001, Mr. Buckalew recommends that if Midvale is allowed to serve a portion of the Rio Verde area as the company has proposed, a request for EAS between Rio Verde and Phoenix should be considered. Qwest believes it is imperative that before this, or any other EAS request is reviewed by the Commission, standardized EAS rules must be adopted to ensure that such requests are in the best interest of consumers.

Qwest maintains that Midvale has not demonstrated a mutual community of interest exists between Cascabel and the Qwest exchanges in question. Fewer than 2% of Qwest's customers in Benson and San Manuel called Cascabel in the months studied. Similarly, Midvale reported very limited call volumes

between Cascabel and San Manuel (2.5 calls per month), although volumes from Cascabel to Benson were somewhat higher (8.5 calls per month). There is obviously miniscule demand for EAS to Cascabel from Qwest customers in San Manuel and Benson and providing the service would be of little or no benefit to them. If forced to pay for this unwanted service, Qwest customers would, in essence, be subsidizing another company's customers. Qwest does not believe this to be sound public policy and recommends that Midvale's proposal be denied.

Illegal EAS Bridging

EAS bridging is a form of illegal arbitrage whereby a company uses a combination of a line, call forwarding services, and possibly its own equipment to complete calls between two or more overlapping EAS areas to complete calls without paying toll or access charges. EAS bridging is a violation of Qwest's Arizona Exchange and Network Services and Access tariffs. Commissions and courts in other states have taken aggressive action to shut down illegal EAS bridging activity, requiring considerable time and resources to do so. Qwest is encouraging this Commission to not allow any opportunity for illegal bridging activity as current and future EAS proposals are examined.

The immediate proposal by Midvale presents the possibility for EAS bridging and therefore should be denied. If EAS between Cascabel and San Manuel and Benson is approved as Midvale has recommended, the local calling areas of Benson and San Manuel will overlap into Cascabel. Midvale's plan will result in local calling between San Manuel and Cascabel and Cascabel and Benson. However, toll charges will continue to apply for calls between Benson and San Manuel. An EAS bridger could subscribe to local flat rated access lines in Cascabel, and forward calls between Benson and San Manuel, allowing customers in those exchanges to bypass toll charges. If Midvale's proposal is approved, the potential for illegal EAS bridging is magnified once Qwest's sale of exchanges to Citizens Utilities Rural Company is completed. As part of the stipulation associated with the sale of exchanges, Qwest and Citizens will offer an optional two-way calling plan between the San Manuel exchange and the Tucson calling area. With this calling plan in place, and EAS between San Manuel and Cascabel implemented, parties located in Benson could illegally bypass toll charges for calls to Tucson (or any of the exchanges included in Tucson's local calling

areas) by subscribing to an EAS bridging service located in Cascabel and San Manuel. The potential for toll arbitrage in conjunction with provisions in the Qwest/Citizens sale of exchange agreement should be carefully considered by the Commission when evaluating Midvale's request for EAS expansion.

Conclusion

Midvale has failed to demonstrate that a mutual community of interest exists between the Cascabel exchange and the Qwest exchanges of Benson and San Manuel. In addition, Midvale's proposal will result in overlapping local calling areas that present the potential for illegal EAS bridging. The Commission has thus far avoided establishing overlapping calling areas, thereby eliminating the possibility for illegal EAS bridging. It is important that the Commission analyze the potential for illegal EAS bridging when determining whether specific EAS proposals are in the best interests of Arizona consumers. For these reasons, Midvale's EAS proposal should be denied. Qwest recommends that a separate rulemaking proceeding be established to address the need for standardized criteria to be applied uniformly to all telecommunications providers when determining whether the expansion of local calling areas is in the public interest.