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January 22, 2002

Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007-2996

Dear Sirs:

Mr. John Hayes, General Manager of the Table Top Telephone Company, Inc. (TTTC), has requested that we file TTTC's reply comments in Arizona Corporation Commission (ACC) Docket No. RT-00000H-97-0137 (AUSF Rules Review).

TTTC appreciates the opportunity to offer this recap of the filed comments, and a brief analysis of these filings, for the ACC staff on these important intrastate universal service issues. We look forward to the workshop session in Phoenix next month, where we anticipate vital dialogue on universal service issues specific to the needs of Arizona subscribers.

Please find attached:

- * A brief synopsis that compares and contrasts the approaches of the eleven parties that participated in the first round of this docket;
- * A 23-page summary of the comments filed by the parties in November, 2001.

Please direct any questions regarding this filing to me on 503.612.4400. Thank you for your assistance.

Sincerely,

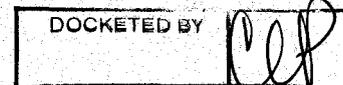
Jeffrey H. Smith
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Copy to Mr. John Hayes, General Manager, TTTC
Mr. John B. (Jack) Pendleton, Chief Engineer, GVNW Consulting

Arizona Corporation Commission

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TTTC Synopsis of Filings in AUSF Docket

The eleven parties that participated in the first round of comments have arranged their initial positions in a typical manner for an intrastate universal service proceeding. The smaller, rural ILECs are seeking assistance to deploy infrastructure to meet customer needs. Larger ILECs are looking to avoid making capital investments in rural Arizona. The competitive carriers are seeking to avoid competitively neutral standards. The interexchange carriers are looking to reduce the access charges they pay for access to facilities purchased and maintained by ILECs. These local loop and switching facilities are what provides the connection to their long-distance customers.

Areas of agreement

The majority of the parties that filed agreed on several points that were posed in the comment round. Specifically, there was general agreement that:

- 1) A rate case filing should NOT be required to receive AUSF funding.
- 2) Embedded costs remain an appropriate methodology for AUSF funding determinations.
- 3) ETC status is a prerequisite to receiving universal service support.
- 4) No expansion of the definition of universal service is appropriate at this time.

TTTC agrees with ALECA that all telecommunications providers should assess the AUSF surcharge across all services, including interexchange and wireless.

Areas of contention

Parties disagreed with the methods on how best to achieve universal service goals for the citizens in Arizona.

AT&T appears to ignore the presence of various wireless service alternatives when they allege that none of the monopoly franchises are being threatened by competition. Additionally, they appear to lack concern with regard to underserved territory by categorizing assistance for underserved areas as a "public bailout".

Qwest's proposals that are geared towards competitive bidding appear, at least on the surface, to indicate a lack of desire on the part of Qwest to invest infrastructure dollars in rural Arizona. Further, the suggestion by Qwest, in their response to question #3 that perhaps individuals could apply for universal service fund distributions, demonstrates a fundamental philosophical difference as to how best to meet the needs of rural Arizona customers.

Midvale asserts that the use of an embedded cost methodology is problematic with regards to unserved territory. We will be seeking clarification on this contention at the February workshop.

Infrastructure incentives offered

TTTC's proposal for a density-based incentive to extend service to underserved territory is the strongest recommendation with respect to producing infrastructure deployment in a reasonable timeframe. TTTC has proposed that protections be put in place to ensure that AUSF benefits are not used for "temporary" service offerings.

TTTC offers rule language (R14-2-1218. Uses of Arizona Universal Service Funds) that was drafted to help control where (Arizona only) and how (for rural customers) a recipient spends its universal service support. It is a "Show me the money" rule, geared to ensure that **AUSF distributions** benefit **Arizona citizens** and not other constituencies.

Requests to avoid competitively neutrality

One of the most disconcerting ideas, at least in the context of competitive neutrality so often espoused by competitive carriers, is the WorldCom recommendation to exempt CLECs from the requirement to prove a need for funding:

It is both unnecessary and potentially harmful to impose this rule on competitive local exchange carriers ("CLECs"). Imposing such a rule on CLECs may chill competitive entry into high cost areas and saddles providers with unnecessary reporting requirements. . .

This recommendation, under any set of criteria, would fail to meet the test of competitive neutrality. The ACC should require all AUSF participants to prove the need for funding, including competitive carriers that are not currently filing the same level of detail as are "local exchange monopoly providers".

The Western Wireless proposal to be exempted from filing for a certificate of public convenience and necessity seeks to avoid some very elementary, yet necessary steps, if the ACC is to have the appropriate checks and balances in place to protect Arizona customers.

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Q1. Are there areas within the existing rules where revisions should be made? If yes, please provide specific language recommendations and explain the benefit of the recommended revision.

A1. Table Top Telephone Company (TTTC) recommends the following:

1. Current rules need to be revised to permit carriers such as Table Top Telephone Company, Inc. (TTTC) to receive AUSF support, by adding the following sentence to the end of section A. of R14-2-1202. Calculation of AUSF Support: Eligibility for support will be determined on an annual basis.
2. TTTC submits that the use of embedded costs, as specified at R14-2-1202 (A) and (B), remains an appropriate methodology. The FCC concluded in its Rural Task Force Order (FCC 01-157) that it is appropriate to continue to use embedded costing as a basis for calculating rural federal universal service support.
3. It would NOT be prudent public policy to adopt recommendations for AUSF eligibility that include predicating a carrier's qualifying for AUSF support based on the relationship between a carrier's average local rate and a weighted statewide average local exchange rate.
4. A rate case should not be required for AUSF eligibility. The AUSF benchmark, carrier cost per loop calculations, and support calculations should follow the federal program.

B1. ALECA proposes the following recommendations:

1. Does not believe a rate case filing should be required to receive AUSF funding.
2. Recommends the following outline of AUSF :
 - An Eligible Telecommunications Carrier (ETC) qualifies to receive AUSF support whenever its unseparated loop cost per working loop exceeds 115% of the national average cost per loop, as prescribed by 47 CFR Part 36 and calculated by the Universal Service Administrative Company.
 - The amount of AUSF support that a qualifying ETC shall receive in any given year shall be the difference between its unseparated loop cost per working loop and 115% of national average cost per loop multiplied by the number of working loops, less the per loop amount received from the appropriate federal universal service support mechanisms.
 - ETCs demonstrating need for supplemental revenues in advance of scheduled federal USF revenues may request emergency treatment for 18-24 months

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between imposition of actual costs and commencement of increased federal support.

C1. Western Wireless Corporation recommends the following:

1. Recommends that the rules, specifically section 12, be further refined.
2. Proposed rules should be revised to make explicit that carriers eligible to receive AUSF include both ILEC ETCs and competitive ETCs.
3. Submits its white paper "The Road to Competitive Universal Service Reform".
4. Offers to share its document entitled "Model Universal Service Rules" (not attached).

D1. ATT provides the following:

1. ATT responds to questions 1,6, 8 and 9 collectively. ATT points out that with respect to federal USF policy, particularly the revision of the high cost support mechanisms for both rural and non-rural carriers, the competitive conditions contemplated by the Act and the FCC's Orders have yet to materialize in Arizona. Further stating, there is little if any competition in the local arena, none of the monopoly franchises are being threatened by competition, and carrier access charges remain at supra-competitive levels. The household penetration rate is 93.9%, leading one to the conclusion that rates are generally "affordable".
2. The threshold question, therefore, is whether, given the sufficiency of the new federal mechanisms for both rural and non-rural carriers the consumers of Arizona should continue to be taxed for a state-specific subsidy mechanism and if so, for what purpose?

E1. Verizon Wireless has no comment at this time.

F1. Qwest Corporation offers the following:

1. To ensure a less burdensome process for providing AUSF funds for unserved areas, a change in R14-2-1203 must occur. (No language is offered).
2. A provider should be able to receive support through either a competitive bidding process or hearing process, not through a R14-2-104 filing.

G1. WorldCom offers the following:

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1. Recommends exempting CLEC from the requirement to prove need for funding. Change R14-2-12-3 Request for AUSF Support.
2. Recommends change to R14-2-1204 Funding of the USF. Specifically, B2 Category 2 Providers of intrastate toll service. Change to base on end-user revenue rather than total Arizona intrastate toll revenue.
3. At R14-2-1205 Calculation of Surcharges, WorldCom expresses its concern of whether or not the growth factor considers industry dynamics such as declining volumes due to substitution to wireless services and loss of market share to ILECs entering the interLATA market. They point out that the revenue base to which the surcharge is applied going forward will likely be smaller than the historical base used to calculate the surcharge.

H1. Citizens is a member of ALECA and concurs with those comments.

II. Cox offers the following:

1. Existing rules are not compatible with encouraging competitive local exchange carriers to serve unserved or under-served areas.
2. Rules need to be competitively neutral.

J1. Midvale has no comment at this time.

K1. RUCO offers the following:

1. Revisions are discussed in the context of responses to questions.

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Q2. How might the AUSF rules be amended to ensure the availability of wireline telephone service in unserved areas (open territory)? Please provide specific recommendations on issues such as required population density before service to an area must be provided, the method for determining the serving carrier, procedural process, etc.

A2. Table Top Telephone Company (TTTC) provides the following recommendations:

1. TTTC believes that a separate proceeding may be warranted on the issue of unserved territory as the ACC may find it necessary to consider the individual circumstances that surround each unserved territory or region. This could be a statewide docket, or done on an individual case basis when a carrier applies for a certificate of convenience and necessity for an unserved area.

B2. ALECA provides the following recommendations:

1. In cases of uncertificated territory, the ACC should streamline the Certificate of Convenience and Necessity (CCN) process to reduce the regulatory cost of initiating service.
2. In the case of an existing telecommunications company, one which is already qualified and certified as an ETC, and that is interested in expanding service coverage to an unserved territory, the state regulatory process should be *pro forma*.
3. In cases of uncertificated territory where a new telecommunications company seeks to provide service, the ACC should utilize the CCN process to reduce the regulatory cost of initiating service but should exhibit a strong preference to those entities that would qualify for federal support. ETC status must be a pre-requisite to the receipt of AUSF.

C2. Western Wireless Corporation recommends the following:

1. ACC policies should include a policy of allowing competitive carriers who have been designated an ETC (such as wireless) to serve customers in these uncertificated or unserved areas.

D.2 ATT provides the following:

1. ATT responds to questions 2, 3, 4, and 7 collectively. The questions are evaluated in light of sections 214 and 254 of the 1996 Federal Act and the FCC's Universal Service Orders.

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2. Especially question 2, "as posed portends a subsidy mechanism that is discriminatory".
 3. The AUSF rules should not be amended to ensure wireline service only in unserved areas.
 4. The Joint Board and the FCC have provided states a framework for determining affordability that may be adapted for use in determining what constitutes a "community".
 5. ATT would not be opposed to use a competitive process in those areas not served by any LEC and in which the ACC seeks to initiate service. The amount of subsidy from the AUSF or some other competitively neutral cost recovery mechanism, would be the difference between the winning bid, in this case the carrier submitting the lowest bid per primary residential line and the national cost benchmark (non-rural carriers) or actual basic local service rate, whichever is higher.
- E2. Verizon Wireless offers no comment at this time.
- F2. Qwest Corporation offers the following:
1. Rules should be technologically and competitively neutral.
 2. Expand universal service support beyond traditional "wireline" services and create incentives to ensure the availability of services supported by the fund, regardless of whether services are wireline or wireless.
 3. The ACC should address the definition "unserved area"/ "open territory".
 4. AUSF rules need to be amended to offer all providers incentives to provide the supported services to "unserved" areas.
 5. Before providing funds to any one provider to serve an unserved area, the ACC should first seek competitive bids from providers in an attempt to get a voluntary provider to service all requesting customers in the area or community. The amount of support cannot exceed the winner's bid.
 6. In the event the bidding process fails, the ACC may order the "best able" certificated carrier to provide service. (Refers to federal authorization in 47 U.S.C § 214(e)(3)).
- G2. WorldCom offers the following:

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1. Universal service should not be used to provide actual construction dollars, continue to rely on customers' "construction or line extension charges", for the actual construction dollars.
- H2. Citizens is a member of ALECA, and concurs in their comments.
- I2. Cox offers the following:
1. Unserved area should include any area where potential residential customers currently reside.
 2. The ACC should, to the extent possible, designate specific areas as "support areas," using competitively neutral standard identifiers such as census blocks.
- J2. Midvale offers the following:
1. Maintains that any assessment of population density would have to be made as part of a business plan, thus should not be limited by ACC rules.
 2. Does not believe it is feasible to assign or force carriers to serve customers outside of an existing CCN.
 3. A separate provision for AUSF is likely required to fully respond to the needs of unserved area.
 4. Any predisposition to basing AUSF on embedded costs, thereby requiring some form of cost analysis of historical investments, inherently excludes unserved areas from consideration for AUSF support.
 5. Proposes rule change in R14-2-1106 Grant of Certificate of Convenience and Necessity.
- K2. RUCO offers the following:
1. The FCC (Telecommunications Act of 1996, Section 102(a)(2)(B) and CFR 54.203) and ACC are required to order an ETC to serve unserved territories. Notes that the FCC does not restrict ETC status to wireline whereas ACC does.

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Q3. How might the AUSF rules be amended to increase the availability or affordability of wireline telephone service in under-served areas? Under-served areas are defined as areas within a wireline carrier's service territory where construction or line extension charges apply.

A3. Table Top Telephone Company (TTTC) recommendations as follows:

1. TTTC supports the establishment of **sustainable** incentives to assist with the problem in Arizona of underserved areas. Such incentives would need to be available for at least a period of 5-10 years to incent carriers to provide service.
2. The ACC should develop a set of criteria that addresses the question of who is a valid customer and what protections must be placed in the rules so that AUSF benefits are not used for "temporary" service offerings where the costs expended will never be "recovered".
3. TTTC proposes an up front payment methodology with a lump sum payment from the customer and the AUSF to the carrier.
4. The following rule is proposed as R14-2-1219. AUSF Program for Underserved Territory.

R14-2-1219. AUSF Program for Underserved Territory.

A. In this section, unless the context otherwise requires, the following definitions shall apply:

1. "AUSF Valid customer" is a party that has:
 - a. Requested service at a service address in an area that is currently within a carriers' filed exchange, and where line extension charges currently apply, and only when the location requested qualifies as a 'permanent customer premises' as defined below in R14-2-1219(A)(3);
 - b. Has paid the customer portion of the line extension charge as calculated per R14-2-1219 (B).
2. "Line Extension Charge" is a non-refundable charge made to a valid customer for provision of basic local exchange telephone service that is intended to compensate the provider for the extraordinary cost of the infrastructure required to provision basic local exchange telephone service in that area.
3. "Permanent Customer Premises" is a customer premises that meets the following criteria:

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- a. Is on a permanent foundation approved by the appropriate county, city, or state building permit authority where such authority exists;
- b. Has electric service from an ACC-approved power utility;
- c. Has water service from a well or municipal water service. If on a well, the well must be approved by appropriate building permit authority;
- d. Has sewer service from a septic system or municipal sewer utility approved by the appropriate building permit authority;
- e. If the structure is a trailer or manufactured home that is not resting on a foundation as described in 3a.) above, the structure must:
 - i. Have skirting, and be placed on permanent mounting (e.g., no jacks, no wheels);
 - ii. Be served by a permanent electric, water and sewer hook-up facility in an approved RV park licensed by an appropriate authority;
 - iii. The premises must have a current county mobile home annual permit.

B. AUSF support for underserved territory shall be provided to eligible carriers to serve AUSF valid customers at permanent customer premises, at an amount equal to the percentages that are specified by the Density Trigger Factor Formula (DTFF), shown in the following table. The carrier shall calculate the total cost of construction (including all rights-of-way, assessments, surveys, and permits). The customers' payment shall be based on the total cost of construction. The carrier must also remove any high cost loop support from federal USF from the remaining construction costs. For example, if 10 loops are installed, and annual support per loop is \$500, then \$5,000 is deducted from the amount the carrier may receive from AUSF. The carrier shall collect the customers' portion prior to commencing construction. The carrier will submit quarterly data to the AUSF during the construction activity.

DENSITY TRIGGER FACTOR FORMULA

Valid customers per Square mile of unserved area	Customer pays x% of cost of construction	Company pays x% of cost of construction	AUSF pays x% of cost of construction
0 - 1	5%	10 %	85%
1 - 5	10%	10%	80%
5 - 10	20%	15%	65%
10-15	30%	15%	55%
15-20	35%	15%	50%

No underserved area AUSF is available for areas with valid customer density greater than 20 per square mile. Note: Values reflect amounts for initial year only.

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Based on the experience of the AUSF administrator, percentages may need to be adjusted based on actual experience with requests for service.

B3. ALECA provides the following recommendations:

1. The ACC should not force carriers into providing service, rather it should create an environment where sufficient cost recovery is available to offset the financial risk inherent in providing service to any remote or rural area.
2. Provide AUSF support in those cases where the federal USF is reduced or eliminated.
3. In addition to AUSF, the ACC should allow accelerated depreciation or amortization schedules sufficient to reflect the added risk of competition, thus minimizing the incumbent's exposure to stranded investment.
4. Carrier's could request AUSF upon a simple showing that universal service costs, currently defined in FCC rules, are not being recovered through federal mechanisms and the shortfall would be supplemented by the AUSF.
5. Finding ALECA's proposal insufficient, ACC can review the recently passed Utah Public Service Commission's rules regarding one-time universal service fund distributions, R746-360.

C3. Western Wireless Corporation recommends the following:

1. Should address the policy of increasing phone service to under-served areas by factoring in the presence of wireless and other types of telecommunications service.
2. Establishing a competitive universal service market will enable the forces of competition to squelch many of the unfriendly consumer practices by the ILECs, such as exorbitant construction or line extension charges.

D3. ATT provides the following:

1. See question 2 also.
2. Before any consideration is given to a public bail-out of ILEC obligations to serve, the size of the problem should be revealed and analyzed by carrier and by serving area.

E3. Verizon Wireless provides the following:

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1. The ACC should act on an area-by-area basis in response to petitions from individuals who wish to receive service.
2. Before considering the designation of any carrier to provide service to an unserved area, the ACC should hold a hearing to determine if any carrier is willing to volunteer to serve that area.

F3. Qwest Corporation provides the following:

1. Recommends the ACC expand universal service support beyond "wireline" services and create incentives to ensure the availability of the services supported by the fund, regardless of whether the services are wireline or wireless.
2. Consideration should be made to clarify the definition of under-served areas so that the distinctions between "unserved" and under-served areas are clearer.
3. The Commission may want to consider revising the AUSF rules to allow individuals and communities to apply for a one-time distribution from the universal service fund.

G3. WorldCom offers the following:

1. Refers to response in Q2.

H3. Citizens is a member of ALECA and concurs in their comments.

I3. Cox offers the following:

1. The ACC needs to better define what constitutes "under-served areas", better than what is provided in the question.

J3. Midvale has no comment at this time.

K3. RUCO offers the following:

1. AUSF rules could be changed to include subsidization in part or whole of line extensions to under-served areas.

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Q4. Under what circumstances, if any, could AUSF be made available to carriers that do not have Eligible Telecommunications Carrier status?

A4. Table Top Telephone Company (TTTC) recommendations as follows:

1. Under NO circumstances should AUSF be made available to carriers that do not have Eligible Telecommunications Carrier (ETC) status. AUSF should be available only to ETCs that provide all of the Basic Telecommunications Service functionalities, as defined by both the Federal Communications Commission (FCC) and the Arizona Corporation Commission. As specified under R14-2-1201.6, basic local exchange telephone service is telephone service that provides the following features:

- a. Access to 1-party residential service with a voice grade line;
- b. Access to touchtone capabilities;
- c. Access to an interexchange carrier;
- d. Access to emergency services, including but not limited to emergency 911, at the local public safety answering point responsible for the jurisdiction where the call originates;
- e. Access to directory assistance service;
- f. Access to operator service;
- g. Access to a white page or similar directory listing; and
- h. Access to telephone relay systems for the hearing and speech impaired.

2. With respect to R14-2-1201.6(d) above, the ACC should not permit wireless carriers to be eligible for AUSF until they have met this requirement. The ACC should evaluate carefully ETC status in underserved areas to avoid providing AUSF support to two or more competing carriers for the same customers.

B4. ALECA provides the following recommendations:

1. Only carriers providing Basic Telecommunications service elements, as defined within both the FCC's Docket No. 96-45 and within the ACC's rules (R14-2-1201.6) that also have ETC status should have AUSF funding made available to them.

C4. Western Wireless recommends the following.

1. AUSF support should be available to only carriers with ETC status.
2. For designation purpose the ACC should follow the requirements set forth in the Federal Act under Section 214(e).

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3. In the rural study areas, there must be a finding that an additional ETC designation is in the public interest.
- D4. ATT provides the following:
1. See question 2 also.
 2. ATT is not aware of any circumstances in which ACC can or should confer support without having first established the ETC designation.
- E4. Verizon Wireless has no comment at this time.
- F4. Qwest offers the following:
1. Any provider that does not have ETC status during the bidding process, but is eligible, should be allowed to participate in a voluntary or competitive bid process.
- G4. WorldCom offers the following:
1. All carriers should continue to be required to apply for and receive ETC designation in order to be eligible to receive funds from the AUSF.
- H4. Citizens is a member of ALECA and concurs in their comments.
- I4. Cox offers the following:
1. The need for ETC status depends on how the ACC defines the "service areas" underlying the services that a carrier must offer under 47 U.S.C. § 214 to be an ETC.
- J4. Midvale has no comment at this time.
- K4. RUCO offers the following:
1. None. CFR 54 § 201 requires carriers to have ETC status to be eligible for USF support.

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Q5. Should the definition of local exchange service, for AUSF purposes, be broadened to include other services? If yes, how might it be accomplished?

A5. Table Top Telephone Company (TTTC) recommendations as follows:

1. The FCC is currently reviewing whether to expand the definition of supported universal services in CC Docket No. 96-45, via a Public Notice entitled Federal-State Joint Board on Universal Service Seeks Comment on Review of the Definition of Universal Service (FCC 01-J-1). Comments were filed on November 5, 2001, and reply comments submitted January 4, 2002. The ACC should delay further examination until after an order is issued in the federal proceeding. [*The majority of the filers requested no expansion of services.*]

B5. ALECA provides the following recommendations:

1. Recognizes the FCC proceeding into the definition of supported telecommunications services. Believes there is no need to expand definition of local exchange service.

C5. Western Wireless recommends the following:

1. The definition of basic local services should not be broadened to include other services such as advanced services.
2. Asserts that wireless technology can support high-speed data services.

D5. ATT provides the following:

1. No, it should not be broadened.
2. ACC should adopt a policy similar to that formulated by the FCC termed "vigilant restraint."
3. Provides its comments made in CC Docket No. 98-146 (section 706 proceedings) to discuss merits of expanding the definition of local exchange service.
4. The ACC should turn its attention to creating the environment necessary so it may rely on free markets and private enterprise.

E5. Verizon Wireless provides the following:

1. Believe ACC should preserve a limited concept of universal service that enhances consumers' access to basic local service while maintaining the AUSF at a reasonable size.

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2. Strongly opposes any effort to broaden the definition of local exchange service and expand the range of services support by AUSF.
 3. ACC should continue to limit the provision of AUSF support to carriers that have obtained ETC status.
- F5. Qwest provides the following:
1. Any modification of the basic local exchange services would not be in the interests of all customers and is not necessary at this time.
 2. Although the definition should not be expanded to include additional services it should recognize alternative technologies, which offer the basic services and should be eligible to apply for AUSF funding.
- G5. WorldCom offers the following:
1. No, the definition of local exchange service should not be broadened.
 2. Mentions the FCC's current review of the services funded by universal service, and suggests ACC wait until those proceedings are completed.
- H5. Citizens is a member of ALECA and concurs in their comments.
- I5. Cox offers the following:
1. AUSF should not be extended to "advanced services".
 2. Lack of broadband internet access or advanced services availability may be an appropriate factor in deciding what constitutes an under-served area.
- J5. Midvale offers the following:
1. Suggests a rule change, R14-2-1201, Basic Local exchange telephone service, subpart d. Access to Emergency Service, to specify 911 and E911 be available locally.
- K5. RUCO offers the following:
1. Absent pertinent information, a responsible opinion cannot be formed. (Provides a list of minimum information needed.)

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Q6. Are there USF rules in other states that should be adopted in Arizona? If yes, please provide the specific language for each rule and explain the benefit that would be derived by adopting the rule in Arizona.

A6. Table Top Telephone Company (TTTC) has no comment at this time.

B6. ALECA provides the following recommendations:

1. Suggests Oklahoma USF rules as a blueprint for Arizona to consider, in that the rules provide the necessary supplemental support in case of federal support reductions. (Oklahoma rules and summary were attached.)
2. Arizona carriers could request AUSF upon a simple showing that universal costs are not being recovered through federal mechanisms and the shortfall would be supplemented by the AUSF.

C6. Western Wireless recommends the following:

1. Makes a general comment that many state funds follow three concepts: 1) competitively neutral fund, 2) explicit rather than implicit support and, 3) portability.
2. Refers to Texas Commission adopting a forward looking economic cost methodology for the purpose of calculating monthly per-line costs of basic service and the resulting subsidy available to incumbents and competitors alike.
3. Competitive ETCs that are not subject to the jurisdiction of the state should not be required to file for "certificate of public convenience and necessity" or submit tariffs.
4. Any rules adopted by the ACC regarding ETC eligibility requirements should recognize the regulatory status of CMRS carriers.

D6. ATT provides the following:

1. See question 1.

E6. Verizon Wireless has no comment at this time.

F6. Qwest provides the following:

1. Recommends the commission may review a rule proposed by Utah's Assistant Attorney General that allows a customer to apply for a one-time distribution from the universal service fund.

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G6. WorldCom offers the following:

1. WorldCom is not aware of any rules.

H6. Citizens is a member of ALECA and concurs in their comments.

I6. Cox offers the following:

1. Refers to the California PUC program (Decision 96-10-066 (October 25, 1996).

J6. Midvale has no comment at this time.

K6. RUCO offers the following:

1. Contends it is impossible if not irresponsible to render an opinion on adoption of other states' USF rules without a minimum of information.

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Q7. How might construction or line extension tariffs be standardized between companies? Should there be an AUSF contribution in addition to the company contribution? Should there be a maximum amount a customer should be expected to pay to obtain service? Should this amount consider the median household income of the area being served? Assuming there is an AUSF contribution, what is a reasonable limit?

A7. Table Top Telephone Company (TTTC) recommends the following:

1. There should be no attempt to standardize line extension charges in Arizona.
2. Construction or line extension charges are also implemented to prevent the subsidy of temporary customers by permanent customers. In serving temporary customers, the carrier places investment in service that becomes stranded when the customer disconnects service prior to the associated local rates, access charges, and cost recovery mechanisms compensating the carrier for its investment. Line extension charges should continue to apply to temporary service, which might be renamed "Temporary Service Construction Charges" in order to avoid customer confusion.

B7. ALECA provides the following recommendations:

1. Does not recommend any arbitrary metrics, such as median income thresholds to determine which customers deserve service or whether or not customers can afford the line extension rates in current tariffs.
2. Notes that only when or if federal USF mechanisms fail will the difference between total costs to provide supported services, and the federal USF support revenues, become the responsibility of the AUSF to provide the needed additional revenues.

C7. Western Wireless recommends the following:

1. Due to the disparity of issues that are unique to each area, Western Wireless recommends a separate proceeding to deal with each area.
2. A customer's income level or the median income level of the petitioning area should not be relevant in determining what the petitioning customer must be assessed in order to receive telecommunications service.

D7. ATT provides the following:

1. In the event that the ACC decides to use the existing AUSF for this, there should be proportional contributions from (a) carriers that will benefit from a

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new revenue stream, (b) from the consumer(s) that benefit directly from the service, and (c) only to the extent necessary, from all Arizona consumers through a competitively neutral cost recovery mechanism such as a mandatory end user surcharge on intrastate end user retail revenue.

E7. Verizon Wireless has no comment at this time.

F7. Qwest offers the following:

1. Construction and line extension tariffs do not and should not apply in unserved areas as opposed to under-served areas.
2. In unserved areas, the carrier should recover all its costs from the customer, the universal service fund or both.
3. If tariffs are imposed, then the Commission should standardize the construction and line extension tariffs so each carrier contributes the same amount.
4. If construction costs are prohibitive in a carrier's serving area, a customer may apply for universal service fund assistance. (Qwest proposes something similar to Lifeline service.)

G7. WorldCom offers the following:

1. Cost of extensions to developments should be borne by those who gain economic advantage from development and not ratepayers in general.
2. Refers to response in Q2, to the extent necessary, universal service money should be available to subsidize only the recurring costs of providing service in areas not currently served.

H7. Citizens is a member of ALECA and concurs in their comments.

I7. Cox offers the following:

1. Standardized tariffs could interfere with creative approaches to service.

J7. Midvale offers the following:

1. Lists items for consideration. Following up with "if there is a reasonable mechanism for rate case, and if qualification for AUSF is simplified, companies will be more willing to develop into under-served and unserved areas".

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2. As an alternative to creating new provisions to regulate line extension, Midvale advocates a streamlining of the rate case process.

K7. RUCO offers the following:

1. Refers to response in Q#3.

Q8. Are there changes in the Federal USF rules of which Staff should be aware? If yes, please identify them. How do these changes impact current AUSF rules? How might they impact recommended revisions to the existing rules?

A8. Table Top Telephone Company (TTTC) recommends the following:

1. There are a number of changes to federal universal service rules and support mechanisms that are relevant to this proceeding. In the RTF Order (FCC 01-157), the FCC now requires that state commissions certify that local exchange carriers are using the federal support for the purposes intended. TTTC recommends that for purposes of the Arizona Universal Service Fund, several additional requirements being added. These requirements could be added as a new section R14-2-1218. Uses of Arizona Universal Service Funds.

R14-2-1218. Uses of Arizona Universal Service Funds

A recipient of AUSF shall comply with the following requirements:

1. All AUSF support received shall be used for support of telecommunications services within the state of Arizona.
2. All AUSF support received related to rural service areas shall be applied to projects related to rural service areas, as opposed to urban service areas.
3. The carrier shall be required to maintain adequate records to support expenditures of AUSF support funds.

B8. ALECA provides the following recommendations:

1. As a result of the FCC's "Access Reform for Rate of Return Carriers" costs identified as "universal service" will be increased.
2. Two additional USF issues stand out:
 - Federal USF imposes "caps" to control growth of the federal USF cost.
 - ALECA remains concerned with the portability of USF. The primary impediment to additional investment in Arizona's telecommunications infrastructure is financial uncertainty. Portable USF is an issue that breeds uncertainty.

C8. Western Wireless recommends the following:

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1. Acknowledges the FCC's Universal Service Order, (FCC 01-157) that requires states to adopt procedures for disaggregating rural LECs federal support and requires state commissions to certify that federal high-cost support is consistent with § 254(e) of the Act.
2. Recommends that ACC adopt disaggregation to AUSF and should make clear that procedures being adopted provide for disaggregation of the study area as a service area, as well as the disaggregation of universal service support. If support is targeted to high-cost wire centers, and possibly zones within wire centers, then the service area of the telephone company should be disaggregated.

D8. ATT provides the following:

1. See question 1.

E8. Verizon Wireless has no comment at this time.

F8. Qwest offers the following:

1. Refers Commission to the FCC's 14th Report and Order in CC Docket No. 96-45, where it adopts a five-year universal service plan that increases support for rural carriers.

G8. WorldCom offers the following:

1. They are not aware of any FCC rule changes at this time.
2. Suggests the ACC should take into account the rural carrier access charge reform underway with the FCC.

H8. Citizens is a member of ALECA and concurs in their comments.

I8. Cox has no position at this time.

J8. Midvale has no comment at this time.

K8. RUCO offers the following:

1. Refers to Attachment A, Universal Service Headlines.

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Q9. Are there changes in other Federal rules that might impact current or future AUSF rules? If yes, please identify them and their potential impact.

A9. Table Top Telephone Company (TTTC) recommends the following:

1. The new federal universal service rules codified under 54.315 of the FCC's rules provide for the option of disaggregating a carriers' federal universal service support into costing zones. The ACC should determine whether carriers should make a similar disaggregation election with respect to AUSF support.
2. The FCC is involved in reviewing various access charge mechanisms at this time. While the ACC will eventually need to examine intrastate access issues, it should complete this AUSF proceeding prior to commencing what will undoubtedly be a lengthy process to review, and possibly modify, intrastate access arrangements.

B9. ALECA proposes the following recommendations:

1. ALECA points out that the FCC's recent access reform order may have impact, and that details of that order are not yet available.

C9. Western Wireless refers to its answer in Q8.

D9. ATT refers to its answer in Q1.

E9. Verizon Wireless has no comment at this time.

F9. Qwest offers the following:

1. Recommends the Commission keep abreast of developments in the FCC proceeding regarding proposed rules for unserved and under-served areas.

G9. WorldCom has no response at this time.

H9. Citizens is a member of ALECA and concurs in their comments.

I9. Cox has no position at this time.

J9. Midvale has no comment at this time.

K9. RUCO offers the following:

1. Refers to Attachment A, Universal Service Headlines.

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Q10. For all other comments please provide a narrative fully explaining the issue being discussed, any recommendation and the benefit to be gained if the recommendation is adopted.

A10. Table Top Telephone Company (TTTC) offers no comment at this time.

B10. ALECA proposes the following recommendations:

1. ALECA addresses three issues and provides recommendations for each.
 - AUSF Restructuring and Access Charge Reform. Revisions to the ACC's AUSF rules may be required in the future to address intrastate access charges. Reminds ACC that there is no federal law or rule requiring access charges to be priced at either "incremental" or "forward-looking" cost. Further reminds ACC that all FCC decisions to reduce interstate access rates have been accompanied by offsetting increases to Federal USF. Feels access reform order will widen the disparity between intrastate and interstate access charges, creating incentives for IXC's to misreport the jurisdictional nature of long distance traffic. Recommends that if reductions in intrastate access charges are warranted that reductions in revenue streams must be offset by increases in AUSF support on a revenue neutral basis.
 - AUSF Funding mechanisms. Mechanisms for funding should be efficient, equitable, and adequate. Recommends the AUSF surcharge be a uniform percentage of intrastate, end-user-billed revenues. All telecommunications providers should assess the surcharge across all services, including interexchange and wireless.
 - Size of the AUSF Support Area. As currently defined, the AUSF Support area is the geographic area for which a local exchange carrier's (LEC) eligibility to receive AUSF support is calculated. Recommends that geographic boundaries for AUSF be consistent with those used for federal USF.

C10. Western Wireless refers to its "Competitive Universal Service White Paper".

D10. ATT has no additional comments.

E10. Verizon Wireless provides the following:

1. Overall, the ACC should bear in mind the effect of this program on wireless carriers, who are required to contribute to the fund, but who are unlikely to receive more than a tiny fraction of available universal service funding.

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2. Wireless growth and innovation could be dampened given the discretionary nature of consumers, substantial AUSF assessments and the resulting subscriber surcharges, could reduce demand and shift consumer spending away from wireless services.

F10. Qwest offers the following:

1. Offers the above comments with respect to unserved and under-served areas issues.
2. These concepts should be further developed in meetings with interested parties, workshops, and additional requests for comments.

G10. WorldCom has no additional comments at this time.

H10. Citizens offers the following as a supplement to the ALECA comments.

1. Recommends the ACC consolidate this docket with its access charge reform docket. At a minimum, the two dockets should run in parallel.

I10. Cox has no position at this time.

J10. Midvale has no comment at this time.

K10. RUCO offers the following:

1. Any opinion that potentially could be expressed on these issues at this point in time, absent the pertinent data, would at best constitute a theoretical wish list.
2. Without hard economic, demographic, fiscal, political, public opinion and cost/benefit information and data, the desirability and the feasibility of various alternatives cannot begin to be determined.