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AZ CORP COMMISSION
DOCUMENT CONTROL

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

Dear Sirs:

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

TTTC appreciates the opportunity to offer some recommendations to the ACC on these important issues. In summary, as detailed in these comments, TTTC recommends:

- * AUSF support should be cost-based, and eligibility for AUSF determined annually;
- * A detailed proposal to address underserved territory;
- * AUSF is not appropriate for temporary service situations;
- * AUSF support received for rural areas should be spent on rural projects in Arizona.

Please direct any questions regarding this filing to me on 503.612.4400.

Thank you for your assistance.

Sincerely,

Jeffrey H. Smith
Consulting Manager

Copy to Mr. John Hayes, TTTC
Mr. Jack Pendleton, GVNW

Arizona Corporation Commission
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Comments of Table Top Telephone Company, Inc.
AUSF Rules, Article 12 of the Arizona Administrative Code
Docket No. RT-00000H-97-0137
Exhibit A

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. The current rules need to be revised so as to permit carriers such as Table Top Telephone Company, Inc. (TTTC) to receive AUSF support. This could be accomplished 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.

TTTC submits that the use of embedded costs for small local exchange carriers, as specified at R14-2-1202 (A) and (B), remains an appropriate methodology. As the FCC concluded in its recent Rural Task Force Order (FCC 01-157), it is appropriate to continue to use embedded costing as a basis for calculating rural federal universal service support.

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. Since Arizona local rates do not distinguish between a local (intraexchange) component and an extended area service portion, Arizona local rates often reflect local calling areas (e.g., the larger the local calling area, the higher the local service rate). Thus, using local rate level comparisons only could tend to shift support to larger local exchange carriers whose customers enjoy larger local calling scopes, but do not necessarily serve the areas where additional AUSF is needed.

A rate case should not be required for AUSF eligibility, as the AUSF benchmark, carrier cost per loop calculations, and support calculations should follow the federal program. For the carriers that must submit data to NECA and USAC for review, the Arizona Corporation Commission (ACC) could rely on this data with a high degree of assurance due to the oversight that exists currently in the federal program. Using such an approach, a rate case review would not be needed for many of the local exchange carriers that would participate in the AUSF program.

Except as noted below in the response addressing unserved (Q2) and underserved (Q3) territory, the Arizona Corporation Commission (ACC) should continue to base support for small local exchange carriers on an embedded cost basis. As we will discuss in our response to Q2 and Q3, it may be necessary to use subscriber density as a surrogate in order to expand the reach of AUSF benefits.

- 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. TTTC commends the ACC for examining the issue of unserved areas in Arizona. The issues as to why certain areas are not currently served are complex and may well warrant a separate proceeding.

There are usually good reasons why telecommunications service is not available in this unserved territory. Arizona is not unique among western states as unserved territory is common throughout the western United States, as the geography and topography have created areas where telecommunications services have not been able to be deployed in an economic manner. The current pressure on the existing universal service support mechanisms will serve to exacerbate this issue.

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. It is possible that such an investigation will determine that virtually all of these areas will not be viable with respect to telecommunications deployment.

Therefore, the ACC is faced with a public policy choice of allocating significant resources, on both a short run and long run bases, in order to bring services to a very small number of subscribers. Such issues will require careful and thorough analysis by the ACC and its staff.

- 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. 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.

In addressing the underserved area issue, 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”. TTTC proposes an upfront payment methodology with a lump sum payment from the customer and the AUSF to the carrier.

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:
 - 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.

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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.

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.

- 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. 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 are due on or before November 5, 2001. Reply comments are due on or before January 4, 2002. The ACC should delay further examination until after an order is issued in the federal proceeding.
- 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. No information is offered in this regard at this time.
- 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. There should be no attempt to standardize line extension charges in Arizona.

Construction or line extension charges are typically implemented when the cost to serve a customer location is significantly higher than in other parts of the exchange. This is caused for a variety of reasons, such as extremely high cost of construction, excessive maintenance cost due to remote geography, and low customer density. The issue for the regulator becomes how much of these proposed costs will be borne by which class of customer (e.g., individual, exchange customers, company customers, statewide customers).

In some cases, construction or line extension charges are used to counteract speculative service requests. For example, in some cases developers have platted large areas and then requested that telecommunications plant be placed to serve every lot.

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.

- 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. 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.

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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.

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. 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.

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.

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. No information is offered in this regard at this time.