

interim rates – rates that would apply until the carrier requests approval of permanent rates. This alternate track (“Track 2”) would be available to new entrants that are ready to install facilities in Arizona, but not yet ready to serve customers or market services. Each Track 2 applicant would include a proposed tariff in its CC&N application, as required under A.A.C. R14-2-1104(A), however, the rates included in that tariff would be interim and, if necessary, subject to true-up. Anytime after receiving its CC&N, a new competitor could request Commission approval of permanent rates, and undergo whatever rate-setting procedures apply to competitive telecommunications providers at that time. Under Track 2, a competitive provider would be required to produce fair value information only upon filing a permanent rate request, and only then if the fair value requirement is generally applicable to competitive service providers.

This request by Urban Media is reasonable. New competitive providers need certification to enter into license agreements for right-of-way access with many local governments. Without a right-of-way license agreement, a carrier cannot begin installing facilities. Similarly, the North American Numbering Plan Administrator will not assign telephone numbers to a carrier unless that carrier has authority to provide service from the state Commission. Obtaining sufficient customer numbers is a critical step in preparing to provide service. Rate issues (and fair value considerations) are causing increasing delays in the Commission’s system for processing and approving CC&N applications. Carriers are slowed considerably in entering the Arizona market due to lengthy delays in the CC&N application process. This dual track arrangement will permit

faster market entry for those carriers needing certification to build facilities, but not yet ready to request Commission approval of permanent rates.

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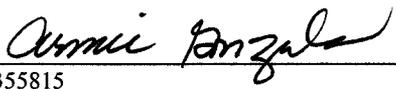
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