

ORIGINAL



0000074973

BEFORE THE ARIZONA CORPORATION CC

RECEIVED

47

MIKE GLEASON
CHAIRMAN
WILLIAM A. MUNDELL
COMMISSIONER
JEFF HATCH-MILLER
COMMISSIONER
KRISTIN K. MAYES
COMMISSIONER
GARY PIERCE
COMMISSIONER

Arizona Corporation Commission

DOCKETED

JAN 7 2008

2008 JAN -7 P 12:42

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY

IN THE MATTER OF THE REVIEW AND
POSSIBLE REVISION OF ARIZONA
UNIVERSAL SERVICE FUND RULES,
ARTICLE 12 OF THE ARIZONA
ADMINISTRATIVE CODE.

Docket No. RT-00000H-97-0137

IN THE MATTER OF THE
INVESTIGATION OF THE COST OF
TELECOMMUNICATIONS ACCESS.

Docket No. T-00000D-00-0672

RUCO'S COMMENTS

The Residential Utility Consumer Office ("RUCO") hereby files its comments on questions and issues set forth by the Commission's Utilities Division ("Staff") on September 4, 2007.

Updated Access Charge Questions

1. Do you believe that the Commission ought to restructure access charges? Please explain your response.

Answer: The FCC has greatly reduced interstate access charges, and it has exempted wireless carriers and internet-based carriers from paying either interstate or intrastate access charges. Given trends in the industry, and the status of federal policies, it would be reasonable for the Commission to investigate opportunities to reduce access charges,

1 provided this can be accomplished without substantially increasing basic local exchange rates,
2 or adversely impacting the goal of universal service. The extent to which access charges
3 should be reduced will depend upon the results of the Commission's investigation. During its
4 investigation, the Commission should be guided by the following public policy goals:

- 5 (1) The preservation and promotion of affordable, high-quality, universal,
6 basic telecommunications services.
- 7 (2) The maintenance of fair, just, and reasonable rates (inter-customer
8 equity).
- 9 (3) The maintenance of a reasonable level of rate continuity.
- 10 (4) The promotion of economic efficiency.
- 11 (5) The promotion of technological innovations.
- 12 (6) The encouragement of effective competition.

13
14 **2. What recommendation to the Commission would you make regarding how**
15 **intrastate access charges should be reformed?**

16 Answer: The Commission should investigate opportunities to decrease intrastate access
17 charges without substantially increasing basic local exchange rates. This reduction may be
18 achieved in part by relying on other existing revenue streams, where those alternative revenue
19 sources are more than sufficient, and it may be achieved in part by restructuring and
20 expanding the Arizona Universal Service Fund. If the AUSF is restructured and expanded, it
21 can help ensure that universal service is advanced and that customers are protected against
22 unreasonable increases in basic local exchange rates.

23 ..

24 ..

1 **3. Would you recommend the Commission address both switched and special**
2 **access in an access charge reform proceeding? If your response is yes, please explain.**

3 Answer: No. Given time and resource constraints, it would be preferable for the
4 Commission to focus on switched access charges in this proceeding.

5 **4. What is your current recommendation to the Commission on how access charges**
6 **should be reformed?**

7 Answer: See answer to questions 1 and 2 above.

8
9 **5. Please update your response to the questions and issues contained in the**
10 **12-3-01 Procedural Order in Docket No. T-00000A-00-0672 to the extent you feel they**
11 **should be updated.**

12 Answer: N.A.

13 **6. How would the FCC's proceeding to reform intercarrier compensation affect the**
14 **ACC's actions to reform intrastate access charges?**

15 Answer: The FCC's efforts to modify or "reform" intercarrier compensation can affect this
16 Commission's efforts in two ways. First, the FCC may expand the scope of its preemption
17 efforts, thereby taking away this Commission's ability to control intrastate intercarrier
18 compensation. For instance, as noted above, the FCC has already exempted wireless carriers
19 and internet-based carriers from paying intrastate switched access charges. Second, to the
20 extent federally regulated intercarrier compensation is further reduced (e.g. toward zero), it will
21 increase the size of the discrepancy between intrastate and interstate compensation levels,
22 making it more difficult to sustain the level of revenue received by local exchange carriers
23 through the intrastate compensation mechanisms.

24 The FCC's efforts in this regard are currently focused on review of the Missoula
Inter-carrier Compensation Reform Plan ("Missoula Plan") which was submitted by the National

1 Association of Regulatory Utility Commissioners' Task Force on Intercarrier Compensation in
2 CC Docket No. 01-92. As the Commission noted in its reply comments filed with the FCC on
3 February 1, 2007, the Missoula Plan calls for the FCC to exercise authority over both intrastate
4 access charges and reciprocal compensation rates. If such a plan were adopted by the FCC
5 and subsequently upheld by federal courts, the Commission's ability to proceed with its own
6 access charge reform efforts would be severely curtailed. On the other hand, if the
7 Commission were to take timely action on these issues in this proceeding, it would reduce the
8 severity of any rate shock or other problems that might arise from federal preemption, and it
9 will provide the Commission with a better opportunity to find the most appropriate resolution to
10 the issues given the specific circumstances in Arizona.

11
12 **7. Do you believe that the carrier common line switched access charges ought to**
13 **exist? Please provide your rationale for your position on this matter.**

14 Answer: A definitive answer cannot be given until the Commission concludes its
15 investigation. However, RUCO provides the following general comments:

16 RUCO does not object to the CCL as a matter of principle. To the contrary, the CCL has been
17 a reasonable and successful mechanism for recovering part of the cost of the telephone
18 network. However, federal policies have reduced the attractiveness and sustainability of this
19 particular cost recovery mechanism. It is time to develop a better alternative.

20 ..

21 ..

22

23

24

1 **8. Do you think that the notion of implicit subsidies ought to be a component of any**
2 **analysis that the Commission [undertakes]?**

3 Answer: While RUCO does not necessarily agree that the current arrangements involve
4 implicit subsidies, per se, it agrees that support for universal service and affordable rates in
5 high cost rural areas in particular are important considerations which need to be considered in
6 any analysis the Commission undertakes.

7 Care must be exercised to ensure that the intrastate mechanisms used to
8 maintain support for affordable local rates are sustainable in the long run, achieve their
9 intended purpose, and do not unduly distort the market. In this regard, support mechanisms
10 which help maintain affordable rates in high cost rural areas are of particular concern. One way
11 to reduce market distortions and ensure long term sustainability is to move away from the CCL
12 and to rely more extensively on support mechanisms which are explicit and more tightly
13 focused. Thus, for example, implicit support that is embodied in the existing access charges
14 could be replaced with more explicit, more tightly focused support provided through an
15 expanded version of the Arizona Universal Service Fund.

16 The Commission is responsible for ensuring that the intrastate support
17 mechanisms are not only sustainable and consistent with evolving market conditions, but that
18 they comply with the requirements of the 1996 Telecom Act, including the requirement that the
19 services which are vital to the universal service goal are not burdened with an excessive share
20 of the joint and common costs of the network. Thus, it would not be appropriate to simply
21 replace CCL revenues with higher basic local exchange rates.

22 ..
23 ..

1 **9. Do you believe that the AUSF ought to pick up any revenue reduction that may**
2 **occur as a result of the reform of access charges? Please provide your rationale for**
3 **your response.**

3 Answer: Not necessarily. While RUCO is supportive of the general concept of phasing
4 down the CCL and expanding the role of the AUSF, it doesn't believe the two changes should
5 necessarily be linked on a dollar-for-dollar basis.

6 While the concept of "revenue neutrality" (protecting individual carriers from any
7 adverse changes in their revenues) has some appeal, it isn't necessarily an appropriate basis
8 for constructing an optimal policy. Why should carriers be protected from any reduction in their
9 revenues, if customers aren't going to be protected from any increase in their rates? A more
10 equitable approach would protect both carriers and customers from extreme changes, while
11 requiring both groups to share some of the burden of any needed reforms.

12 For example, it may be appropriate to reduce switched access charges without
13 necessarily increasing other rates on a dollar-for-dollar basis. Basic principles of equity require
14 a careful and deliberate approach to policy changes, but it doesn't mean that carriers should
15 be totally protected from any changes while customers are given little or no protection. Stated
16 differently, equitable treatment of individual carriers should not be pursued to the point where
17 individual customers are treated inequitably.

18
19 **10. If you believe that the AUSF ought to pick up any revenue reduction that may**
20 **occur as a result of the reform access charges, what parameters would you implement**
21 **to determine what amount ought to be picked up by the AUSF?**

21 Answer: N.A. See answer to question 9 above.

22 ..

23 ..

1 **11. How would you quantify the reductions? Please explain your response to include**
2 **items such as whether the AUSF amount would be based on current year switched**
3 **access minutes, on current year access revenues, historical year access minutes,**
4 **historical year access minutes, etc.**

5 Answer: The potential impact of any reduction in switched access revenues can be
6 quantified by looking at current switched access minutes times current access rates in
7 comparison to future switched access minutes times future (lowered) switched access rates.

8 **12. Provide an estimate of the effect on access revenues for your company if access**
9 **charges are reformed in the manner that you recommend to the Commission.**

10 Answer: N.A.

11 **13. For companies that provide access service, please provide the dollar amount of**
12 **revenues from intrastate switched access charges that you received by rate element, by**
13 **month, for the period of July 1, 2006 through June 30, 2007.**

14 Answer: N.A.

15 **14. For companies that purchase access service, please provide the dollar amount of**
16 **the payments for switched access charges that you made (by company, rate element,**
17 **and by month) for the period of July 1, 2006 through June 30, 2006.**

18 Answer: N.A.

19 **15. Should additional considerations be taken into account when restructuring**
20 **and/or setting access charges for small rural carriers? Please explain your response.**

21 Answer: The Commission should not impose undue administrative burdens on small
22 carriers. However, a rate would be required for access charges to be modified.
23
24

1 **16. Please comment on any other issues you believe may be relevant to the**
2 **Commission's examination of intrastate access charges.**

3 Answer: RUCO has no comments to provide on additional issues at this time, but
4 reserves the right to raise additional issues during the course of the Commission's
5 investigation.

6 **17. Are there other issues besides the rate restructuring and costing issues raised**
7 **herein that should be addressed by the Commission in this Docket?**

8 Answer: RUCO has no comments to provide on additional issues at this time, but
9 reserves the right to raise additional issues during the course of the Commission's
10 investigation.

11
12 **18. Are there other State proceedings and/or decisions that you would recommend**
13 **the Commission examine in this Docket? Please attach any relevant State commission**
14 **decisions to your comments.**

15 Answer: RUCO has not conducted the research necessary to provide this information at
16 this time but it reserves the right to direct the Commission's attention to other State
17 proceedings and/or decisions at other stages of the Commission's investigation.

18 **19. One of the stated objectives of the Qwest Price Cap Plan was to achieve parity**
19 **between interstate and intrastate access charges. Is this something that should be**
20 **looked at by the Commission in this proceeding?**

21 Answer: Yes. Exact parity with interstate access rates is certainly not required either as a
22 practical matter or as a matter of policy, but RUCO believes this is an option that should be
23 evaluated in the course of the investigation. Among other things, interstate parity provides a
24 concrete benchmark which all parties can use in analyzing the potential impact of alternative
policy scenarios.

1 **20. Parties who desire that switched access charges be reformed often state that**
2 **switched access charges in general, and the CCL rate element in particular, contain**
3 **implicit subsidies. Do you agree with this statement? Please provide and explanation**
4 **of the rationale for your position, including any computations that you might have**
5 **made.**

6 Answer: No. The "subsidy" argument has historically been advanced by interexchange
7 carriers by claiming that the costs in question are "non-traffic sensitive" (NTS) and these costs
8 shouldn't be recovered through traffic sensitive toll charges (or access charges), and by
9 claiming that the costs of the local loop are entirely the responsibility of the end user who is
10 connected to that loop. According to this line of thinking, the local exchange networks are the
11 responsibility of the LECs and their local customers, and the interexchange carriers should not
12 be required to pay for using these networks, or at most they should make only token payments
13 for their use of the local networks.

14 By this reasoning, because the IXCs don't "cause" the costs of the local networks
15 to be incurred, and/or because their usage is "incidental" to the primary purpose of those
16 networks, and/or because the costs in questions are classified as "non-traffic sensitive" while
17 access charges and retail toll rates are both "traffic sensitive" rates, access rates should be
18 reduced towards zero. According to this argument, the cost of the loop, drop wire, line card,
19 and channel connection are exclusively part of the incremental cost of providing local
20 exchange service, and none of these costs can properly be considered part of the cost of
21 providing switched access. If one believes this line of reasoning, it would seem that the LECs
22 are wrong to charge the IXCs anything more than the direct, out of pocket cost of providing
23 switched access service – an amount that approaches zero.

24 The FCC, federal courts and numerous state regulators have acknowledged that
loop costs are properly treated as joint costs of the full family of services that make use of the
loop, including access, and they should not be loaded entirely onto just one of those services

1 (e.g. basic local service). As well, policies designed to load the entirety of these costs onto
2 basic local exchange service would not comply with the requirements of the 1996 Telecom Act,
3 that are designed to protect universal service and ensure that basic exchange services are not
4 burdened with an excessive share of the joint and common costs of the network. Thus, it would
5 not be appropriate to simply replace CCL revenues with higher basic local exchange rates.
6 While some parties may believe it is in their economic interests to place 100% of the loop and
7 port costs onto local exchange customers, this approach is neither economically sound nor
8 fair.

9
10 **21. Do you believe that the Commission should quantify implicit subsidies:**

- 11 a. At all
12 b. As part of this proceeding?
13 c. As part of proceedings that address each carrier individually?

14
15 Answer: No.

16 **22. If you believe that the Commission should quantify implicit subsidies, What is the appropriate cost standard to be used to determine whether access charges are free of implicit subsidies?**

17 Answer: N.A.

18
19 **23. What issues do you believe should be addressed in a proceeding to determine whether and to what extent intrastate access charges ought to be reformed?**

20 Answer: The Commission's primary focus should be on protecting universal service, and
21 protecting customers from unreasonable rate increases. The Commission should investigate
22 disparities between state and federal regulatory approaches to intercarrier compensation,
23 including disparities between the treatment of wireless and internet traffic as contrasted with
24

1 intrastate long distance traffic, options for reducing these disparities, and options for
2 ameliorating any adverse impacts from reducing these disparities.

3
4 **24. Do you believe that there is a difference in the costs of providing interstate**
5 **switched access service versus intrastate-switched access service? In your response,**
6 **please include a description of how costs are defined in your response and how those**
7 **costs relate to costs allocated to the intrastate jurisdiction under the FCC's current**
8 **rules.**

9 Answer: No.

10 **25. Should the Commission address CLEC access charges as part of this Docket?**

11 Answer: Yes. It is RUCO's understanding that for competitive telecommunications
12 companies the Commission exercises its rate-setting authority by establishing a maximum rate
13 and that companies are free to adjust their switched access rates up to or below that
14 maximum, as long as the price equals or exceeds the total service long-run incremental cost.
15 CLECs should be considered in any recommended access charge reform plan, because
16 CLECs hold monopoly power over the termination of calls on their network.

17 **AUSF Issues List**

18 **1. What should the fund look like?**

19 Answer: A revised AUSF should be competitively neutral; economical; effective; equitable;
20 and cost-based. High cost support should be portable (carriers should not be entitled to
21 support except to the extent customers in high cost areas choose that carrier as their primary
22 provider of basic local exchange service).

1 **2. What revenues should be assessed?**

2 Answer: The fund should serve the broad public interest, and not be tailored for the
3 exclusive benefit of any one carrier or group of carriers (e.g. incumbent LECs). Consistent
4 with this philosophy, to the extent legally and administratively feasible, contributions should be
5 derived from a broad base. Contributions into the fund should be based on assessments
6 applied to the intrastate revenues of all local telephone carriers, including Qwest, all intrastate
7 long distance toll carriers, all Arizona cable telephony carriers, and all wireless carriers that
8 interconnect with and terminate intrastate calls in high cost areas. Similarly, the funds should
9 flow to any carrier that is helping to maintain universal service, based upon appropriate criteria
10 which are not skewed in favor of any particular carrier, or technology. For instance, if a cable
11 TV company offers reliable, reasonably priced basic exchange telephone service to residential
12 customers in a high cost area, it would be appropriate for it to have an opportunity to receive
13 USF support – AUSF funding should be “portable” flowing to different carriers based on
14 customer decisions, rather than being limited to the incumbent LECs.

15 **3. What should the AUSF reporting requirements be?**

16 Answer: The universal service funding mechanism should not be excessively costly, either
17 administratively or in its overall magnitude. Assuming other factors are equal, administrative
18 costs should be minimized. For instance, it is desirable to make the program largely self-
19 effectuating, with limited reporting requirements, and limited need for auditing and “policing.”
20 The primary information that would need to be reported would concern the extent to which the
21 carrier is providing basic basic local exchange service to customers located in high cost areas.
22
23
24

1 **4. What should the rules be for companies serving high cost areas?**

2 Answer: The specific rules needed to address high cost areas cannot be developed until
3 the Commission has concluded its investigation. In general, the focus of a revised AUSF
4 should be to provide targeted, portable support for high cost areas within the state. To achieve
5 this purpose, the Commission should accurately identify high cost areas in Arizona, determine
6 how much support should be provided to these areas (e.g. a dollar amount per basic exchange
7 access line per month) and determine the best mechanism to use in providing this support. In
8 general, RUCO believes it would be preferable to change from a system of implicit support tied
9 to intrastate long distance calling volumes to one of explicit support that is tightly focused on
10 high cost areas and is portable across carriers (support is provided to whichever eligible
11 carriers are selected by customers who are located in high cost areas).

12
13 **5. Should all carriers be treated the same regardless of service area or technology used?**

14 Answer: Carriers serving different areas should be treated differently, because costs
15 associated with serving different areas differ greatly. Support should be targeted at high cost
16 areas – primarily low density rural areas located away from towns and cities. However,
17 carriers should not be treated differently simply because they use different technologies – at
18 least if those technologies are equally effective in advancing the goal of universal service.
19 Carriers using alternative technologies should be eligible for support if they are providing basic
20 local exchange services of adequate quality and reliability (e.g. comparable to the quality
21 provided by the incumbent LEC).

1 **6. What revisions to the existing AUSF rules should be made?**

2 Answer: The specific revisions that are needed, if any, can not be determined until the
3 Commission has completed its investigation.
4

5 **7. Should the fund allow upfront recovery of construction costs?**

6 Answer: No. In order to receive universal service funding, a carrier should be actively
7 providing telecommunication services in Arizona. Also, funding should be portable – changing
8 carriers if the customers changes their choice of basic local exchange providers.
9

10 **8. Should a company be required to meet a set of criteria before they are allowed to**
11 **obtain AUSF revenues to compensate it for reductions in access revenues resulting**
12 **from access charge reform?**

13 Answer: RUCO has not yet determine what specific criteria, if any, should be met before
14 carriers are allowed to obtain AUSF revenues. In general, however, carriers should not be
15 automatically “entitled” to a specific level of compensation. Thus, ILECs should not be
16 automatically given AUSF support to compensate for revenues lost as a result of access
17 charge reductions. Appropriate criteria should be established to ensure that AUSF funds are
18 narrowly targeted to high cost areas. In many cases expansion of the AUSF will be sufficient to
19 preclude the need for increasing other rates as the intrastate access charges are reduced.
20 However, in other cases it may be necessary to adjust other rates. However, some carriers
21 may currently be over-earning, and thus it would not be appropriate to provide a dollar for
22 dollar replacement of lost access revenues, since this would serve to perpetuate their excess
23 earnings situation.
24

1 **9. Should AUSF funding be available to competitive eligible telecommunications**
2 **carriers?**

3 Answer: Yes. Funds should be available to any carrier that is helping to maintain universal
4 service, based upon appropriate criteria which are not skewed in favor of any particular carrier
5 or technology. The AUSF should promote, rather than discourage, effective competition. An
6 appropriately designed, competitively neutral program would help reduce barriers to entry by
7 allowing new entrants to participate in the program on an equal footing with incumbent carriers.
8 Similarly, the AUSF support should be readily transferable from one carrier to the next, when
9 the customer changes carriers. Portability logically follows from the principles of competitive
10 neutrality and equitable treatment, since AUSF support should not necessarily be limited to the
11 incumbent carrier. In general, the philosophy should be one of providing support to customers
12 in high cost areas, to ensure that they can communicate with the rest of society at a
13 reasonable cost, even though they are located in a low density, high cost area, and even
14 though the AUSF payments are paid to the carrier that provides them with their phone service.
15 The support payment associated with a particular customer (whether one with low income or
16 one living in a high cost area) should be portable, in the sense that the support moves
17 whenever the customer moves (changes carriers).

18 **10. Should AUSF funding be provided to companies that are not certified as eligible**
19 **telecommunications carriers?**

20 Answer: No. It would not be appropriate to make payments from the ASUF to carriers that
21 have not been certified by the Commission as eligible to receive such support. Absent an
22 appropriate certification process, the fund could become unduly large and costly, thereby
23 undermining the core purpose of the fund.
24

1 **11. Should companies be required to file a rate case to obtain AUSF revenues?**

2 Answer: No. The AUSF should be driven by the extent to which carriers are serving
3 customers in high cost areas, not revenue requirements. However, the Commission should
4 consider the potential impact of changes to the AUSF and access charges. For that reason,
5 unless the Commission already has detailed financial information on file (because the ILEC
6 has had a rate case within the past year or two), the ILEC should be required to file documents
7 that would allow the Commission and other interested parties to determine with a reasonable
8 degree of certainty whether the company is currently over-earning, and allow them to estimate
9 the impact of potential changes to the AUSF and access charges. The specific information to
10 be provided should be determined during the course of the Commission's investigation, but in
11 general this would be a subset of the standard filing requirements that are normally provided in
12 a rate case. Of course, ILECs should be given the opportunity to file a rate case if they feel it
13 will be necessary to adjust other rates when access charges are reduced.

14
15 **12. If a rate case is not required, what method should be used to determine whether a
16 company should receive AUSF payments?**

17 Answer: See response to earlier questions.

18
19 **13. Should the AUSF rules be amended to allow for the provision of telephone
20 service in unserved or underserved areas?**

21 Answer: If the unserved or underserved areas are unusually costly to serve, because of
22 low customer density, then they would potentially qualify for AUSF support. Hence, carriers
23 interested in extending service to these areas should be able to anticipate receiving funding
24 from the AUSF, to the extent customers select that carrier to provide them as their primary

1 provider of basic local exchange service. In this way, the AUSF can provide an incentive for
2 carriers to expand into unserved or underserved areas.

3
4 **14. Should the AUSF rules be amended to allow for incentives to companies who
5 provide telephone service in unserved or underserved areas?**

6 Answer: No special incentives should be provided, however, high cost support should
7 reduce the barriers to entry into these areas, making it more profitable to for carriers to serve
8 customers in these areas, as described in response to earlier questions.

9
10 **15. Should the AUSF rules as proposed by ALECA be adopted?**

11 Answer: No. See RUCO's Comments filed on July 25, 2005 in Docket RT-00000H-97-
12 0137.

13
14 **16. Should competitive bidding be a component of AUSF implementation?**

15 Answer: No. High cost support should be portable, but it should not be a high-stakes
16 "winner takes all" process. That would make AUSF funding an unreliable and excessively risky
17 source of support for carriers interested in serving high cost areas.

18 **17. Should CLECs have to prove a need for AUSF revenues?**

19 Answer: No. The Commission should be responsible for determining which areas merit
20 AUSF support, and the appropriate magnitude of that support. Once that decision has been
21 made, any eligible carrier should be allowed to receive payments from the fund, to the extent
22 they serve customers in a high cost area, without having to "prove" the need for any specific
23 amount of support based on their specific situation. This approach is preferable to one in
24 which carriers "prove" that they are incurring high costs, because the latter method creates

1 perverse incentives for firms to incur high costs, and it reduces the incentive for carriers to
2 serve high cost areas as efficiently, and at as low cost as possible.

3
4 **18. What services should be eligible for inclusion in services supported by the
AUSF?**

5 Answer: Basic local exchange service, as defined by the current AUSF rules.
6

7
8 **19. Should AUSF payments be used for line extensions and if so how should eligible
costs be determined?**

9 Answer: It would be preferable to limit AUSF payments to monthly amounts. However, if
10 the Commission determines that support should be provided to offset the cost of extending
11 lines to customers located a long distance from existing facilities (e.g. far from the nearest
12 public road), that support should not be provided on the basis of the specific costs incurred in
13 each individual situation. To the extent any such support is provided, it should be provided
14 through a simplified formula, such as a set dollar amount per foot beyond the nearest public
15 road, and any support should be treated as a cost offset in determining the customer's
16 payment for the line extension pursuant to current tariff provisions.

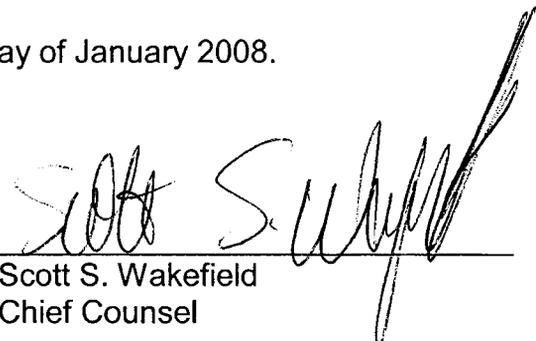
17
18 **20. How should the AUSF surcharges be calculated?**

19 Answer: The specific methodology for calculating surcharges should be determined during
20 the course of the Commission's investigation. In general, the size of the fund should first be
21 estimated by the Commission. Then, the total amount of intrastate revenues of all
22 telecommunications carriers should be determined (see response to question 2 above).
23 Finally, the surcharges amount should be calculated by dividing the total funding requirement
24

1 by the applicable revenue amount, thereby deriving a percentage assessment rate to be paid
2 by all intrastate carriers during the forthcoming year.

3 RESPECTFULLY SUBMITTED this 7th day of January 2008.

4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24



Scott S. Wakefield
Chief Counsel

AN ORIGINAL AND FIFTEEN COPIES
of the foregoing filed this 7th day
of January 2008 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

COPIES of the foregoing hand delivered/
mailed this 7th day of January 2008 to:

Jane L. Rodda, Administrative Law Judge
Hearing Division
Arizona Corporation Commission
400 West Congress
Tucson, Arizona 85701

Jeffrey W. Crockett
Bradley S. Carroll
Snell & Wilmer, L.L.P.
One Arizona Center
Phoenix, Arizona 85004-2202

Christopher Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

William J. Hayes, General Manager
Table Top Telephone Company, Inc.
600 North Second Avenue
Ajo, Arizona 85321

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Dennis D. Ahlers
Associate General Counsel
Eschelon Telecom, Inc.
730 Second Avenue South, Suite 900
Minneapolis, MN 55402

1 Dennis D. Ahlers
Associate General Counsel
2 Integra Telecom, Inc.
730 Second Avenue South, Suite 900
3 Minneapolis, MN 55402

General Counsel, South Central Region
Verizon, Inc.
HQE03H52
600 Hidden ridge
Irving, TX 75015-2092

4 Michael M. Grant
Gallagher & Kennedy, P.A.
5 2575 East Camelback Road
Phoenix, Arizona 85016-9225

Arizona Payphone Association
c/o Gary Joseph
Sharenet Communications
4633 West Polk Street
Phoenix, Arizona 85043

6 Dan Foley
7 Gregory Castle
AT&T Nevada
8 645 East Plumb Lane, B132
P. O. Box 11010
9 Reno, Nevada 89520

Gary Joseph
National Brands, Inc. dba
Sharenet Communications
4633 West Polk Street
Phoenix, AZ 85043

10 Brad VanLeur, President
OrbitCom, Inc.
11 1701 N. Louise Avenue
Sioux Falls, SD 57107

Mark A. DiNunzio
Cox Arizona Telcom, LLC
1550 West Deer Valley road
MS DV3-16, Bldg. C
Phoenix, Arizona 85027

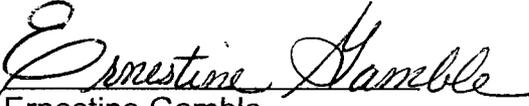
12 Thomas W. Bade, President
13 Arizona Dialtone, Inc.
7170 W. Oakland Street
14 Chandler, AZ 85226

Michael W. Patten
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren, Suite 800
Phoenix, Arizona 85004

15 Thomas H. Campbell
Michael Hallam
16 Lewis and Roca, LLP
40 North Central
17 Phoenix, AZ 85004

Nathan Glazier
Regional Manager
Alltel Communications, Inc.
4805 E. Thistle Landing Dr.
Phoenix, Arizona 85044

18 Charles H. Carrathers, III
Joan S. Burke
19 Osborn Maledon, PA
2929 North Central Avenue
20 Suite 2100
Phoenix, AZ 85012

By 
Ernestine Gamble
Secretary to Scott Wakefield

21 Lyndall Nipps
22 Vice President, Regulatory
Time Warner Telcom
23 845 Camino Sur
Palm Springs, CA 92262
24