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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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T-00000D-00-0672

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

COMMENTS OF AT&T

GALLAGHER & KENNEDY, P.A.
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(602) 530-8000

Pursuant to the Procedural Order entered in these dockets dated July 27, 2007, AT&T Communications of the Mountain States, Inc. and TCG Phoenix (collectively referred to as "AT&T") file these comments in support of Arizona Corporation Commission ("Commission") Staff's recommendation to combine the Access Charge Docket (Docket No. T-00000D-00-0672) with the Arizona Universal Service Fund Docket (Docket No. RT-00000H-97-0137). AT&T supports the consolidation of the two dockets primarily because the Arizona Universal Service Fund represents an alternative revenue source for carriers impacted by access charge policy reform.

Arizona has some of the highest intrastate access fees in the country. AT&T supports reductions in intrastate access charges and believes that such reductions can be implemented in a revenue neutral manner. Excessively high access charges substantially reduce the incentive of interexchange carriers to deploy infrastructure and market their services to consumers in Arizona because the cost to provide service is artificially inflated. Also, high intrastate access fees translate into higher intrastate long distance rates charged to consumers and fewer choices being

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1 available. Therefore, AT&T believes that a comprehensive review of the current access charge
2 regulatory regime needs to be conducted.

3 Based on the language of the Procedural Order,¹ it appears that the regulatory policies
4 regarding the intrastate access charges for both incumbent local exchange carriers (“ILECs”) and
5 competitive local exchange carriers (“CLECs”) will be addressed in this docket with the
6 exception of Qwest Corporation. If that is not the Commission’s intent, the scope of the
7 proceeding should be clarified.

8 Both the Access Charge docket and the Arizona Universal Service Fund docket have
9 been pending for a substantial period of time. Since the dockets were initiated, there have been
10 significant developments in the telecom industry, including several significant consolidations
11 between wireline long distance and local companies. Further, and perhaps more importantly, the
12 long distance market has become increasingly competitive as customers turn to alternative
13 technologies such as wireless service offered by multiple providers in each major market and
14 Internet-based alternatives including email, instant messaging and VoIP services. This changing
15 marketplace has put substantial pressure on wireline providers to reduce long distance rates in
16 order to remain competitive and correspondingly has driven margins down. Thus, the margins
17 once associated with wireline long distance service, which provided an implied subsidy to
18 support local service in the form of high access charges, are no longer available.

19 Given these and other changes in the industry, AT&T recommends that a procedural
20 schedule be established that allows all parties the opportunity to submit new comments in this
21

22 _____
23 ¹ “Phase II of the Access Charge Docket is intended to address access charges for all other telephone companies that
24 provide access services.” Procedural Order at p. 1.

1 rulemaking docket that reflect the current marketplace. Further, the parties should be given the
2 opportunity to file reply comments to address the comments and recommendations of the other
3 parties.

4 In summary, AT&T supports Staff's recommendation to consolidate the two dockets.
5 AT&T recommends that a procedural schedule be established that allows the parties to submit
6 new information reflective of the current marketplace and provides all parties the opportunity to
7 respond to the comments and recommendations of the other participants in the consolidated
8 docket.

9 As a procedural matter, please address all future filings and correspondence on this
10 matter to:

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RESPECTFULLY SUBMITTED this 14th day of August, 2007.

GALLAGHER & KENNEDY, P.A.

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Original and 13 copies filed this
14th day of August, 2007, with:

Docket Control
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Copies of the foregoing text mailed
the 13th day of August, 2007, to the
parties listed on the service list attached
to the July 27, 2007 Procedural Order.

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