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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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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

**REPLY COMMENTS OF
COX ARIZONA TELCOM, L.L.C.**

Pursuant to the procedural order entered on November 28, 2007, Cox Arizona Telcom, L.L.C. (“Cox”) files its reply comments on access charge reform and possible revisions to the Arizona Universal Service Fund (“AUSF”).

Cox has reviewed the initial comments filed in this docket and offers its comments regarding some of the issues raised by other parties in this docket. Cox believes that Arizona Universal Service and access charge reform should await action by the FCC, which has just released several rulemaking proceedings¹ regarding the future of the federal USF system and the recommendations of the Joint Board, and continues its comprehensive review of Intercarrier Compensation in that long-standing docket. Moving forward with a state specific USF and access reform proceeding at this time has the potential to conflict with the ultimate federal reform. To avoid any such conflicts, any state proceeding should mirror, or at a minimum recognize the

¹ *In the Matter of High-Cost Universal Support Federal-State Joint Board on Universal Service, CC Docket No 96-45, FCC 08-22, FCC 08-05, FCC 08-04 (released January 29, 2008).*

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1 changes in the federal scheme. However, should the Commission proceed with pursuing
2 reforming the access charge system, Cox supports the proposal to conduct workshops as stated in
3 Time Warner Telecom's initial comments. Commission Staff could facilitate a workshop for all
4 interested parties in this docket to present their positions on how USF and Intercarrier
5 Compensation are linked to each other, and how best to modify the Arizona system to make it
6 serve the goals of the system in the future. This format would enable all parties to be involved and
7 participate as to the best way to reform the current system and modify the AUSF rules. Such a
8 workshop should be conducted after all comments have been filed and reviewed. Staff could
9 identify and present the key issues that it and other parties have identified with their comments
10 which would be the focus of the workshop discussions. After completion of the workshops, Staff
11 would then propose changes to the existing rules or make recommendations that parties would
12 then have an opportunity to comment on. This format has worked well with past Commission
13 proceedings and would be a productive way to move forward here.

14 Cox also concurs with the comments made by Time Warner Telecom that subsidies should
15 be made explicit as required by the Telecommunications Act of 1996. As the Commission
16 considers changes to its AUSF rules, it is important to ensure that any changes to the funding
17 mechanisms are competitively and technologically neutral. No one carrier or technology should
18 benefit from the fund in a way that harms competition and any changes should ensure that
19 consumers have the potential for choices in service providers and technologies to meet their basic
20 telephone service needs.

21 One of the issues that has been raised by the initial comments filed by one of the parties is
22 whether a reduction in Qwest's access charges could be conducted outside the context of a rate
23 proceeding. Again, Cox concurs with the position of Time Warner Telecom that the Commission
24 need not conduct a comprehensive rate proceeding for Qwest before acting to reduce Qwest access
25 rates. As Time Warner Telecom clearly points out, the presence of a competitive marketplace may
26 impact the manner in which the Commission conducts its constitutional duty to determine fair
27 value with prescribing rates and charges. That being the case, there is no reason why the format

1 used with the adoption of Qwest's Renewed Price Regulation Plan in 2006 is one that can also be
2 used in this proceeding. In fact, Qwest will be filing a new comprehensive Price Cap Plan with the
3 Commission later this year. The Commission should address Qwest's access revenues within the
4 context of that price cap plan before adopting a plan that would apply to any other carriers.

5 Cox disagrees with Verizon's comments that CLEC's intrastate access charges should be
6 reduced to the same level as Qwest's. There is simply no basis in the record to have CLECs access
7 rates capped at the Qwest rate when CLECs costs are likely higher due to economies of scale
8 enjoyed by Qwest through its size and ubiquity. However, should the Commission decide to
9 proceed and consider capping CLEC intrastate access rates, it should allow those rates to vary in
10 structure from Qwest's and to be a reasonable level above the Qwest rate. Further, the
11 Commission must provide a reasonable opportunity and time frame for CLEC recovery of lost
12 access revenue through a transition plan and the opportunity to increase other rates, potentially
13 beyond current tariff maximum prices. For example, in California, the California Public Utilities
14 Commission recently adopted a CLEC rate cap at the ILEC rate plus 10%, with a transition plan of
15 more than one year to reach that rate (see CPUC D07-12-020, adopted December 10, 2007). This
16 transitional period for CLECs to re-adjust their rates to recover such reductions appears to be a
17 more reasonable approach than simply capping the rates at the established Qwest rate. The
18 Commission should set a transitional time period and permit carriers to "re-balance" other retail
19 rates to offset the required loss of revenue.

20 One of the key components of any reduction in access charges should be the provision for
21 the carrier to have an opportunity to recover those rates elsewhere. Where access rates have been
22 reduced for the ILECs in the past, ILECs have been afforded the opportunity to recoup those lost
23 revenues from other services. Where CLEC's access charges are reduced, it is imperative that they
24 too be allowed to recover those reductions in revenue from other competitive services. CLEC
25 competitive services currently have maximum rates in their Arizona tariffs. Without the approval
26 of the Commission to remove or raise those maximum rates, CLECs will have no way to offset
27 any such access charge reductions. Any proposed changes by the Commission resulting in

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1 reductions in access revenues must allow the opportunity for CLECs to recover such lost revenues.
2 Again, any reduction should also allow for a reasonable transitional period for carriers to be able to
3 re-balance their retail rates and adjust their business plans accordingly.

4 Cox looks forward to participating in future discussions regarding these important issues.

5 RESPECTFULLY SUBMITTED this 4th day of February 2008.

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