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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Docket No. RT-00000J-99-0095

IN THE MATTER OF PLAN TO)
 IMPLEMENT TOLL CARRIER)
 PRESUBSCRIPTION SYSTEM BASED)
 ON STATE RATHER THAN LATA)
 BOUNDARIES)

DOCUMENT CONTROL
 COMMENTS OF
 U S WEST
 COMMUNICATIONS, INC.

U S WEST Communications, Inc. ("U S WEST"), by its attorneys, respectfully submits these comments in response to the Staff letter of July 2, 1999. In response to that letter, U S WEST states as follows:

INTRODUCTION

On May 13, 1999, the Commission entered an order directing the Staff to develop and implement a plan to amend Arizona Corporation Commission rules and regulations to redefine the LATA boundaries to make Arizona a single-LATA state and establish carrier selection rules for a single-LATA state. In a letter of July 2, 1999, the Staff asked all parties to submit comments to assist the Staff in developing and implementing such a plan. The Staff asked the parties to comment on seven specific questions.

In this document, U S WEST submits its comments in response to that letter. After fully considering the implications of the Commission's order, and after expending considerable time and resources preparing to comply with the Commission's order, U S WEST has concluded that the most efficient and reasonable way to effect the Commission's order is to develop and implement a plan to eliminate the LATA boundary between LATA 666 (Phoenix) and LATA 668 (Tucson). All other rules and regulations should remain the same. By limiting the plan to this

1 change, the Staff can deliver the benefits intended by the Commission with the least amount of
2 disruption to the consumers and providers of telecommunications services in Arizona.

3 With regard to the carrier presubscription rules, there would be no need to amend any rules
4 or to develop new rules.

5 **COMMENTS**

6
7 1. Please identify any and all ramifications to your company once the LATA boundaries in
8 Arizona are redefined to make it a single-LATA state. Please identify any and all
9 ramifications to your company once the current LATA-based carrier selection process in
10 Arizona is revised to be based on state boundaries, rather than LATA boundaries.

11 **RESPONSE:** U S WEST has expended considerable effort to implement the
12 Commissions' May 13, 1999 order. The main ramifications to U S WEST will be the continuing
13 effort to implement the order.

14 The principal effect of the order will be to provide significant benefits to consumers. Long
15 distance rates most certainly will be reduced. In addition, U S WEST will be able to offer certain
16 services to meet consumer demands that are currently not being met. Consumers will have more
17 choices in telecommunications carriers and more choices in the service packages offered by those
18 carriers. The increased competition, additional advanced services and customer choices will have
19 a significant positive impact on the Arizona economy.

20 In addition to other work U S WEST has undertaken to implement the Commission's order,
21 U S WEST is working to add additional capacity between Phoenix and Tucson to handle the
22 additional traffic that will result from the Commission's order. Nevertheless, some additional
23 blockage may occur in certain trunk groups.

24 U S WEST is working to first implement the Commission's order with relation to toll
25 services, and U S WEST should be able to implement the order for toll services in the near future.
26

1 Technical changes may be needed for other services that are defined in relation to LATAs.

2 U S WEST will implement those technical changes as soon as reasonably possible.

3 Implementation of aspects of the Commission's order may be impacted by the work U S WEST is
4 undertaking to implement area code changes and by Year 2,000 work.

5
6 2. Please describe how the ramifications identified in question 1 above can be addressed in
7 the proposed rules.

8 **RESPONSE:** After examining all ramifications of the May 13, 1999 order, U S WEST
9 has concluded that the most efficient and effective method of implementing the order is to add the
10 following definition to R14-2-1102:

11 7. "Local Access and Transport Area" or "LATA." These terms shall have
12 the same meaning as defined in 47 U.S.C. 153(25), except that the boundary
13 between former LATAs 666 (Phoenix) and 668 (Tucson) has been eliminated
14 by order of the Commission, and LATA 666 (Phoenix) is defined to include the
15 area formerly contained in LATA 668 (Tucson).¹

16 By taking this action, the Commission can achieve the benefits it desires, while avoiding
17 unnecessary complications. For example, this method of implementation assures that all effects of
18 the Commission's order will be intrastate. The remaining LATA boundaries have minor areas that
19 do not exactly conform with state borders. The Utah LATA includes two small areas of Arizona,
20 and the Los Angeles, California LATA includes one small area of Arizona. The Phoenix LATA
21 includes small areas of Utah and California, and the Tucson LATA includes two small areas of
22 New Mexico. Rather than isolating these small areas from their former serving areas, the
23 Commission should only eliminate the boundary between LATA 666 (Phoenix) and LATA 668
24 (Tucson). That boundary is contained entirely within the state of Arizona.

25
26 ¹ The numbering of the remaining sections of R14-2-1102 will need to be changed to reflect this insertion.

1 U S WEST's proposed method has the benefit of simplifying implementation. No other
2 action need be taken by the Commission. No other rules need to be changed. The toll carrier
3 presubscription plan does not need to be changed, and the process will be virtually invisible to
4 consumers.

5
6 3. Please identify any remaining issues arising in conjunction with redefining the LATA
7 boundaries in Arizona? Please also identify any remaining issues arising in conjunction
8 with amending the current intraLATA and carrier presubscription plan in Arizona.

9 **RESPONSE:** With regard to toll carrier presubscription rules, no changes need to be
10 made. The Commission's order should be implemented to result in as little dislocation of
11 customers as possible. The Staff should develop and implement a plan that would deliver to
12 consumers the intended benefits of the Commission's order, and consumers should not be subject
13 to additional confusion and administrative burdens. Therefore, the toll carrier presubscription
14 rules should not be amended. All that needs to be changed is the definition of a LATA.
15 Customers' interLATA PICs should stay the same, as should their intraLATA PICs (although
16 designated intraLATA carriers would carry traffic in the newly-enlarged Phoenix-Tucson LATA).
17 Likewise, consumers' PIC freezes need not be changed.

18 U S WEST's proposal will result in a process that is invisible to Arizona consumers, other
19 than consumers reaping the benefit of lower prices, additional choices and increased competition.
20 Since Arizona implemented 1+ intraLATA dialing parity in 1996, consumers are well-aware of the
21 benefits of increased competition and have choices among carriers to meet their needs.

22 U S WEST's proposal will allow consumers to receive service from their toll carriers of choice,
23 without additional confusion or administrative burden. The establishment of a new or separate
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1 presubscription process would be redundant and needlessly costly, since all carriers have equal
2 opportunity to win customers in the current environment.

3 4. Are there any factual issues which may need further examination by the Commission Staff
4 before the issuance of proposed rules?

5 **RESPONSE:** No.

6 5. Please discuss any Federal requirements that the Staff should consider in drafting its
7 proposed rules for both the carrier presubscription process and the redefinition of LATA
8 boundaries.

9 **RESPONSE:** There are no additional Federal requirements that the Staff needs to
10 consider. The LATA boundary being eliminated is completely within the state of Arizona. The
11 impacts and effects of the Commission's actions will be limited to Arizona.

12 The Commission entered its May 13, 1999 order after concluding that it had sole
13 jurisdiction over the LATA boundaries within Arizona. Under the Commission's holding, Federal
14 regulations are not controlling.

15 6. What terms and conditions on Arizona becoming a single-LATA state should be included
16 in the proposed rules. What terms and conditions should be placed on the new toll carrier
17 presubscription process taking effect?

18 **RESPONSE:** The Commission did not include any conditions on the implementation of
19 its order, and no conditions should be included in the Staff's plan. The Commission indicated that
20 it intended that its order take effect as soon as possible. The Staff should develop a plan to
21 implement any rule changes as expeditiously as possible.

22 7. Please identify all sections of existing Commission rules that you believe would need to be
23 amended to accomplish the objectives set out in the Commission's Order. The Staff
24 encourages parties to draft and submit proposed amended and new rules to accomplish the
25 objectives set forth in the Commission's Order for Staff's consideration.
26

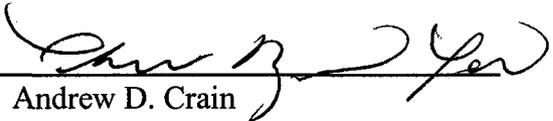
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RESPONSE: As indicated in its response to Question 2, U S WEST recommends that only one insertion needs to be made to R 14-2-1102. U S WEST hereby submits proposed amended rules as Exhibit A.

DATED this 22nd day of July, 1999.

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

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ORIGINAL and ten copies of the foregoing filed this 23rd day of July, 1999, with:

Docket Control
ARIZONA CORPORATION COMMISSION
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1 COPY of the foregoing hand delivered
this 23rd day of July, 1999, to:

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13 COPY of the foregoing mailed this
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Exhibit A

ARIZONA ADMINISTRATIVE CODE
TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION
CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES
ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES
Current through September 30, 1998

Article 11, consisting of Sections R14-2-1101 through R14-2-1115, adopted effective June 27, 1995, pursuant to an exemption from the regular rulemaking process as determined by the Arizona Corporation Commission (Supp. 95-2).

ARIZONA ADMINISTRATIVE CODE
TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
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CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES
ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES
Current through September 30, 1998

R14-2-1101. Application of Rules

These rules shall govern the provision of competitive, intrastate telecommunications services to the public by telecommunications companies subject to the jurisdiction of the Arizona Corporation Commission. Unless otherwise ordered by the Commission, these rules shall not govern the provision of service by independently or local exchange carrier-owned pay telephones (COPTs) and alternative operator service (AOS) providers, which shall instead be governed by Articles 9 and Article 10 of this Chapter, respectively. The provision of local exchange service also shall be governed by Article 5 of this Chapter, to the extent that Article is not inconsistent with these rules.

<General Materials (GM) - References, Annotations, or Tables>

HISTORICAL NOTE

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2).

Editor's Note: The Arizona Corporation Commission has determined that this Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. ' 41-1041) by a court order (State of Arizona v. Arizona Corporation Commission, 114 Ariz. Adv. Rep. 36 (Ct. App. 1992)).

ARIZONA ADMINISTRATIVE CODE
TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
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R14-2-1102 Application of Rule

Article, unless the context otherwise requires, the following definitions shall apply:

1. "Arizona Corporation Commission" or "Commission." The regulatory agency of the state of Arizona having jurisdiction over public service corporations operating in Arizona.

2. "Bona Fide Request." A written request submitted by a telecommunications company to a local exchange carrier for intraLATA equal access service or for interconnection arrangements.

3. "Central Office." A facility within a telecommunications system where calls are switched and which contains all the necessary equipment, operating arrangements, and interface points for terminating and interconnecting facilities such as subscribers' line and interoffice trunks.

4. "Competitive Telecommunications Service." Any telecommunications service where customers of the service within the relevant market have or are likely to have reasonably available alternatives.

5. "Docket Control Center." The Commission section responsible for the acceptance and processing of all applications and other filings, and for official record maintenance.

6. "Equal Access." An arrangement where a local exchange company provides all telecommunications companies operating in an equal access central office with dialing arrangements and other service characteristics that are equivalent in type and quality to what the local exchange carrier utilizes in the provision of its service.

7. "Local Access and Transport Area" or "LATA." These terms shall have the same meaning as defined in 47 U.S.C. 153(25), except that the boundary between former LATAs 666 (Phoenix) and 668 (Tucson) has been eliminated by order of the Commission, and LATA 666 (Phoenix) is defined to include the area formerly contained in LATA 668 (Tucson).

8. "Local Exchange Carrier." A telecommunications company that provides local exchange service as one of the telecommunications services it offers to the public.

~~8-9.~~ "Local Exchange Service." The telecommunications service that provides a local dial tone, access line, and local usage within an exchange or local calling area.

~~9-10.~~ "Monopoly Service." A monopoly service is any telecommunications service provided by a telecommunications company that is not subject to competition in the relevant market.

~~10-11.~~ "Primary Interexchange Company" or "PIC." The telecommunications company with whom a customer may presubscribe to provide 1+/0+ toll service, without the use of access codes, following equal access implementation.

~~11-12.~~ "Rate." Within the context of this Article, this term refers to the maximum tariffed rate approved by the Commission, from which the competitive telecommunications service provided may be discounted down to the total service long-run incremental cost of providing the service.

~~12-13.~~ "Relevant Market." Where buyers and sellers of a specific service or product, or a group of services or products, come together to engage in transactions. For telecommunications services, the relevant market may be

identified on a service-by-service basis, a group basis, and/or by geographic location.

~~13-14.~~ "Staff." The staff of the Arizona Corporation Commission or its designated representative or representatives.

~~14-15.~~ "Tariffs." The documents filed with the Commission which list the services and products offered by a telecommunications company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.

~~15-16.~~ "Telecommunications Company." A public service corporation, as defined in the Arizona Constitution, Article 15, ' 2, that provides telecommunications services within the state of Arizona and over which the Commission has jurisdiction.

~~16-17.~~ "Telecommunications Service." Any transmission of interactive switched and non-switched signs, signals, writing, images, sounds, messages, data, or other information of any nature by wire, radio, lightwave, or any other electromagnetic means (including access services), which originate and terminate in this state and are offered to or for the public, or some portion thereof, for compensation.

~~17-18.~~ "Total Service Long Run Incremental Cost." The total additional cost incurred by a telecommunications company to produce the entire quantity of a service, given that the telecommunications company already provides all of its other services. Total Service Long-run Incremental Cost is based on the least cost, most efficient technology that is capable of being implemented at the time the decision to provide the service is made.

~~18-19.~~ "2-PIC Toll Equal Access." The equal access option that affords customers the opportunity to select one telecommunications company for all interLATA 1+/ 0+ toll calls and, at the customer's option, to select another telecommunications company for all intraLATA 1+/0+ toll calls.

~~19-20.~~ "Unbundled." Disaggregation of the local exchange carrier network services.

<General Materials (GM) - References, Annotations, or Tables>

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CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES
ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES

Current through September 30, 1998

R14-2-1103. Certificates of Convenience and Necessity Required

All telecommunications companies providing intrastate telecommunications services shall obtain a Certificate of Convenience and Necessity from the Commission, either under this Article, if competitive services are to be provided or, under Article 5. If the Commission determines that the services identified in an Application filed under this Article are not competitive, the Commission may nevertheless grant a Certificate and authorize provision of the services on a noncompetitive basis pursuant to Article 5.

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AZ ADC R14-2-1103

ARIZONA ADMINISTRATIVE CODE
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ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES

Current through September 30, 1998

R14-2-1104. Expanded Certificates of Convenience and Necessity for Telecommunications Companies with Existing Certificates; Initial Tariffs

A. Effective July 1, 1995, every telecommunications company, except a local exchange carrier, that has received a Certificate of Convenience and Necessity under Article 5, and that provides or intends to provide competitive, intraLATA telecommunications service shall file with the Docket Control Center ten copies of an Application to expand its existing Certificate of Convenience and Necessity to provide competitive, intraLATA telecommunications service. In support of the request for an expanded Certificate of Convenience and Necessity, the Application shall, at a minimum, include the following information:

1. A description of the telecommunications company and of the telecommunications services it offers or intends to offer.

2. The proper name and correct intrastate address of the telecommunications company and:

- a. The full name of its owner if a sole proprietorship,
- b. The full name of each partner if a partnership,
- c. A full list of the officers and directors if a corporation, or

d. A full list of the members if a limited liability company.

3. A tariff for each service to be provided that states the maximum rate as well as the initial price to be charged, and that also states other terms and conditions that will apply to provision of the service by the telecommunications company. The telecommunications company shall provide economic justification or cost support data if required by the Commission or by Staff.

4. A detailed description of the geographic market to be served and maps depicting the area.

5. Appropriate city, county and/or state agency approvals, where appropriate.

6. Such other information as the Commission or the Staff may request.

B. As part of the Application for an expanded Certificate of Convenience and Necessity, the telecommunications company shall also petition the Commission for a determination that the intraLATA service being provided or to be provided is competitive, pursuant to the requirements of R14-2-1108.

C. The Commission shall review the initial tariffs submitted by the telecommunications company and shall determine whether the rates, terms, and conditions for the proposed services are reasonable.

D. If it appears, based upon Staff review or upon comments filed with Commission Docket Control Center, that a rate, term, or condition of service stated in a tariff may be unjust or unreasonable, or that a service to be offered by the applicant may not be competitive, the Commission or Staff may require further information and/or changes to the application or to the tariff.

E. When the Application is submitted to the Docket Control Center, it will not be filed until it is found to be in proper form. The telecommunications company shall, no later than 20 days after the Application is filed, publish legal notice of the Application in all counties where services will be provided. The notice shall describe with particularity the contents of the Application on file with the Commission. Interested persons shall have 20 days from the publication of legal notice to file objections to the Application and to submit a motion to intervene in the proceeding.

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HISTORICAL NOTE

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ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES
Current through September 30, 1998

R14-2-1105. Certificates of Convenience and Necessity for Telecommunications Companies Offering Competitive Services; Initial Tariffs

A. Effective July 1, 1995, every other telecommunications company, except a local exchange carrier, that has not previously received a Certificate of Convenience and Necessity, and that provides or intends to provide intrastate competitive telecommunications services shall file with the Docket Control Center ten copies of an Application for a Certificate of Convenience and Necessity to provide competitive telecommunications services. In support of the request for a Certificate of Convenience and Necessity, the Application shall, at a minimum, include all the information required in R14-2-1104(A) and shall also include the following information:

1. A description of the telecommunications company's technical capability to provide the proposed services and a description of its facilities.

2. Information describing the financial resources of the telecommunications company, including:

a. A current intrastate balance sheet,

b. A current income statement (if applicable),

c. A pro forma income statement, and

d. Comparable financial information evidencing sufficient financial resources.

3. A copy of the Partnership Agreement, Articles of Incorporation, Articles of Organization, Joint Venture Agreement, or any other contract, agreement, or document that evidences the formation of the telecommunications company.

B. An Application filed under subsection (A) of this Section shall also petition the Commission for a determination that the service being provided or to be provided is competitive under the requirements of R14-2-1108.

C. An Application filed under subsection (A) of this Section shall be subject to the provisions of subsections R14-2-1104(D) and (E).

D. In appropriate circumstances, the Commission may require, as a precondition to certification, the procurement of a performance bond sufficient to cover any advances or deposits the telecommunications company may collect from its customers, or order that such advances or deposits be held in escrow or trust.

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HISTORICAL NOTE

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Editor's Note: The Arizona Corporation Commission has determined that this

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Current through September 30, 1998

R14-2-1106. Grant of Certificate of Convenience and Necessity

A. The Commission, after notice and hearing, may deny certification to any telecommunications company which:

1. Does not provide the information required by this Article;
2. Is not offering competitive services, as defined in this Article;
3. Does not possess adequate financial resources to provide the proposed services;
4. Does not possess adequate technical competency to provide the proposed services; or
5. Fails to provide a performance bond, if required.

B. Every telecommunications company obtaining a Certificate of Convenience and Necessity under this Article shall obtain certification subject to the following conditions:

1. The telecommunications company shall comply with all Commission rules, orders, and other requirements relevant to the provision of intrastate telecommunications service.
2. The telecommunications company shall maintain its accounts and records as required by the Commission.
3. The telecommunications company shall file with the Commission all financial and other reports that the Commission may require, and in a form and at such times as the Commission may designate.
4. The telecommunications company shall maintain on file with the Commission all current tariffs and rates, and any service standards that the Commission may require.
5. The telecommunications company shall cooperate with Commission investigations of customer complaints.
6. The telecommunications company shall participate in and contribute to a universal service fund, as required by the Commission.
7. Failure by a telecommunications company to comply with any of the above conditions may result in rescission of its Certificate of Convenience and

Necessity.

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HISTORICAL NOTE

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R14-2-1107. Application to Discontinue or Abandon Local Exchange Service Area

A. Any telecommunications company providing competitive local exchange service that intends to discontinue service or to abandon all or a portion of its service area shall file an application for authorization with the Commission setting forth the following:

1. Any reasons for the proposed discontinuance of service or abandonment of service area;
2. Verification that all affected customers have been notified of the proposed discontinuance or abandonment, and that all affected customers will have access to an alternative local exchange service provider;
3. Where applicable, a plan for the refund of deposits collected pursuant to subsection R14-2-503(B);
4. A list of all alternative utilities providing the same or similar service within the affected geographic area.

B. When the Application is submitted to the Docket Control Center, it will not be filed until it is found to be in proper form. No later than 20 days after the Application is filed, the telecommunications company shall publish legal notice of the Application in all counties affected by the Application. The legal notice shall describe with particularity the substance of the Application. Interested persons shall have 30 days from the publication of legal notice to file objections to the Application, to request a hearing, and to submit a motion to intervene in the proceeding.

C. Once proper notice is effected and if no objection is filed, the Commission may grant the application without a hearing.

<General Materials (GM) - References, Annotations, or Tables>

HISTORICAL NOTE

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Editor's Note: The Arizona Corporation Commission has determined that this Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. ' 41-1041) by a court order (State of Arizona v. Arizona Corporation Commission, 114 Ariz. Adv. Rep. 36 (Ct. App. 1992).

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ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES
Current through September 30, 1998

R14-2-1108. Determination of a Competitive Telecommunications Service

A. A telecommunications company may petition the Commission to classify as competitive any service or group of services provided by the company. The telecommunications company shall file with the Docket Control Center ten copies of its petition. The telecommunications company also shall provide notice of its application to each of its customers, if any, and to each regulated telecommunications company that serves the same geographic area or provides the same service or group of services, or a service or group of services similar to the service or group of services for which the competitive classification is requested.

B. The petition for competitive classification shall set forth the conditions within the relevant market that demonstrate that the telecommunications service is competitive, providing, at a minimum, the following information:

1. A description of the general economic conditions that exist which make the relevant market for the service one that is competitive;

2. The number of alternative providers of the service;

3. The estimated market share held by each alternative provider of the service;

4. The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801;

5. The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions; and

6. Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the services.

C. Alternatively, where the Commission has already classified a specific service within the relevant market as competitive, the petition shall provide

the date and decision number of the Commission order.

D. In any competitive classification proceeding, the telecommunications company filing the petition, and any telecommunications company supporting the petition, shall have the burden of demonstrating that the service at issue is competitive. Classification of the petitioners' service as competitive does not constitute classification of any service provided by another telecommunications company as competitive, unless expressly ordered by the Commission.

E. The Commission may initiate classification proceedings on its own motion and may require all regulated telecommunications companies potentially affected by the classification proceeding to participate in the proceeding. In an Order classifying a service as competitive, the Commission will specify whether the classification applies to the service provided by a specific company or companies or to that service provided by all telecommunications companies.

F. If the Commission finds that a telecommunications company's service is competitive, the telecommunications company providing the service may obtain a rate change for the service by applying for streamlined rate treatment pursuant to R14-2-1110.

G. Any finding by the Commission, pursuant to the provisions of this Section, that a telecommunications service is competitive so as to qualify for streamlined rate treatment shall not constitute a finding that the service is deregulated.

H. Any telecommunications service classified by the Commission as competitive may subsequently be reclassified as noncompetitive if the Commission determines that reclassification would protect the public interest. Notice and hearing would be required prior to any reclassification. The burden of proof would be on the party seeking reclassification.

<General Materials (GM) - References, Annotations, or Tables>

HISTORICAL NOTE

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ARIZONA ADMINISTRATIVE CODE
TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION
CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES
ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES
Current through September 30, 1998

R14-2-1109. Pricing of Competitive Telecommunications Services

A. Pricing of Competitive Services. A telecommunications company governed by this Article may price a competitive telecommunications service at any level at

or below the maximum rate stated in the company's tariff on file with the Commission, provided that the price for the service is not less than the company's total service long-run incremental cost of providing the service.

B. Changing a Price. A telecommunications company governed by this Article may effect a price change for a competitive service so long as two conditions are met:

1. The changed price comports with the limitations stated in subsection (A); and
2. The Commission is provided with concurrent, written notice of the price change.

C. No Cross-subsidization. A competitive telecommunications service shall not be subsidized by any rate or charge for any noncompetitive telecommunications services. To insure that no cross-subsidization exists, each competitive telecommunications service must provide revenues that equal or exceed the company's total service long-run incremental cost of providing the service.

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ARIZONA ADMINISTRATIVE CODE
TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION
CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES
ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES
Current through September 30, 1998

R14-2-1110. Competitive Telecommunications Services--Procedures for Rate Change

A. Telecommunications companies governed by this Article may apply to the Commission for an increase in any rate for a competitive service using the procedures set forth below. All applications and supporting information shall be submitted with ten copies and filed with Docket Control Center.

B. In order to increase the maximum tariffed rate for a competitive telecommunications service, the applicant shall submit an application to the Commission containing the following information:

1. A statement setting forth the reasons for which a rate increase is required;
2. A schedule of current rates and proposed rates and the additional revenues to be derived from the proposed rates;

3. An affidavit verifying that appropriate notice of the proposed rate increase has been provided to customers of the service;

4. The Commission or staff may request any additional information in support of the application.

C. The Commission may, at its discretion, act on the requested rate increase with or without an evidentiary hearing; in an expeditious manner.

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ARIZONA ADMINISTRATIVE CODE
TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION
CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES
ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES
Current through September 30, 1998

R14-2-1111. Requirement for IntraLATA Equal Access

A. Each local exchange carrier shall provide 2-PIC toll equal access where technically and economically feasible, and in accordance with any procedures the Commission may order.

B. The sequence for implementation of intraLATA equal access shall occur in the following manner:

1. In response to a bona fide request for intraLATA equal access, a local exchange carrier shall complete implementation of intraLATA equal access within nine months of receiving the request. A person making such a bona fide request shall also provide a copy to the Arizona Corporation Commission.

2. The local exchange carrier may implement intraLATA equal access in any central office on its own initiative but, in any event, shall make intraLATA equal access available in all its central offices no later than July 1, 1996, unless otherwise ordered by the Commission.

C. A local exchange carrier may petition the Commission for a waiver of the requirement in subsection (B)(1) on the grounds that compliance is not technically or economically feasible. A local exchange carrier may also petition the Commission for an extension of the requirement in subsection (B)(2) on the grounds that intraLATA equal access cannot reasonably or economically be provided within any specific exchanges within the required time frame. The Commission may grant either of these waivers with or

without a hearing. The local exchange carrier filing the waiver petition shall bear the burden of proof.

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ARIZONA ADMINISTRATIVE CODE

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES

Current through September 30, 1998

R14-2-1112. Interconnection Requirements

All local exchange carriers must provide appropriate interconnection arrangements with other telecommunications companies at reasonable prices and under reasonable terms and conditions that do not discriminate against or in favor of any provider, including the local exchange carrier. Appropriate interconnection arrangements shall provide access on an unbundled, nondiscriminatory basis to physical, administrative, and data-base network components. Local exchange carriers shall provide appropriate interconnection arrangements within six months of receiving a bona fide request for interconnection. The interconnection arrangements must be in the form of a tariff and shall be filed with the Commission for its approval before becoming effective.

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ARIZONA ADMINISTRATIVE CODE

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES

Current through September 30, 1998

R14-2-1113. Establishment of Universal Service Fund

The Commission shall establish an intrastate universal service fund which shall assure the continued availability of basic telephone service at reasonable rates. The universal service fund shall be structured and administered as required by the Commission.

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ARIZONA ADMINISTRATIVE CODE

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES

Current through September 30, 1998

R14-2-1114. Service Quality Requirements for the Provision of Competitive Services

A. General Requirement. Telecommunications companies governed by this Article shall provide quality service in accordance with this rule and with any other service quality requirements established by the Commission.

B. Telecommunications Company Responsibility. Each telecommunications company governed by this Article:

1. Shall be responsible for maintaining in safe operating condition all equipment and fixtures owned by and under the exclusive control of the telecommunications company that are used in providing telecommunications services to the customer.

2. Shall make known to applicants for its service and to its subscribers any information necessary to assist the subscriber or customer in obtaining adequate, efficient, and reasonably priced service.

C. Continuity of Service. Each telecommunications company providing competitive telecommunications services pursuant to this Article shall make reasonable efforts to supply a satisfactory and continuous level of service.

D. Billing and Collection.

1. Each telecommunications company governed by this Article shall bill

monthly for any competitive services rendered. The following minimum information must be provided on all customer bills:

- a. A description of the service provided;
- b. The monthly charge for each service provided;
- c. The company's toll-free number for billing inquiries;
- d. The amount or percentage rate of any privilege, sales, use or other taxes that are passed on to the customer as part of the charge for the service provided;
- e. Any access or other charges that are imposed by order of or at the direction of the Federal Communications Commission; and
- f. The date on which the bill becomes delinquent.

2. If the telecommunications company does not provide direct billing to its customers, it shall make arrangements for monthly bills to be rendered to all its customers. However, a local exchange carrier shall not provide billing and collection services for intrastate telecommunications services to any telecommunications company that does not have a Certificate of Convenience and Necessity from the Commission, and that does not have a certification application pending before the Commission.

E. Insufficient Funds (NSF) Checks. A telecommunications company governed by this Article may include in its tariffs a fee for each instance where a customer tenders payment for the competitive telecommunications service with an insufficient funds check. When a customer tenders an insufficient check, the telecommunications company may require the customer to make payment in cash, by money order, certified check, or other means which guarantees the customer's payment to the telecommunications company.

F. Deferred Payment Plan.

1. Each telecommunications company may, in lieu of terminating service, offer any customer a deferred payment plan to retire unpaid bills for telecommunications company service. If a deferred payment arrangement is made, current service shall not be discontinued if the customer agrees to pay a reasonable portion of the outstanding balance in installments over a period not to exceed six months and agrees to pay all future bills in accordance with the billing and collection tariffs of the telecommunications company.

2. If a customer does not fulfill the terms of a deferred payment agreement, the telecommunications company shall have the right to disconnect service pursuant to the Commission's termination of service rule, R14-2-509.

G. Late Payment Penalty. A telecommunications company governed by this Article may include in its tariffs a late payment penalty which may be applied to delinquent bills. The amount of the late payment penalty shall be stated on a customer's bill when rendered by the telecommunications company or its agent.

H. Service Interruptions.

1. Each telecommunications company shall make reasonable efforts to reestablish service within the shortest possible time when service

interruptions occur. The telecommunications company shall issue instructions to its employees covering procedures to be followed in the event of any emergency, including national emergencies or local disasters, in order to prevent or mitigate interruption or impairment of service. The Commission shall be notified of major interruptions in service affecting the entire system or any major division.

2. When a telecommunications company plans to interrupt service to perform necessary repairs or maintenance, the telecommunications company shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers of the telecommunications company.

I. Nonpermissible Termination of Service. A telecommunications company governed by this Article may not disconnect service for:

1. The failure of a customer to pay for services or equipment which are not regulated by the Commission, or

2. For disputed bills where the customer has complied with the Commission's rules on complaints.

J. Permissible Termination of Service. Termination of service without notice may occur in accordance with the provisions of subsection R14-2-509(B). Termination of service with notice shall occur in accordance with provisions of R14-2-509(C) through (E). All local exchange carriers are prohibited from discontinuing local service for alleged delinquency of non-local bills.

K. Notice of Responsible Officer or Agent. Each telecommunications company governed by this Article shall file a written statement with the Commission which provides the name, address (business, residence, and post office) and telephone numbers (business and residence) of at least one officer, agent, or one employee responsible for the general management of its operations as a telecommunications company in Arizona. Each telecommunications company shall give notice of any change in this information by filing a written statement with the Commission within five days from the date of any such change.

L. Competitive Local Exchange Service. Any telecommunications company providing competitive local exchange service shall comply with the Commission's rules for establishment of service set forth in R14-2-503.

M. Denial of Service/Noncertificated Utilities. A local exchange carrier shall deny service to a noncertificated telecommunications company that intends to use the service requested to provide telecommunications service for hire, sale, or resale to the general public within the state of Arizona. Service shall not be denied if the telecommunications company has an Application for a Certificate of Convenience and Necessity pending before the Commission.

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ARIZONA ADMINISTRATIVE CODE
TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION
CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES
ARTICLE 11. COMPETITIVE TELECOMMUNICATIONS SERVICES
Current through September 30, 1998

R14-2-1115. Administrative Requirements

A. Customer Service Complaints. All customer service complaints concerning competitive telecommunications services shall be governed by the provisions of subsection R14-2-510(A).

B. Customer Bill Disputes. All customer bill disputes concerning competitive telecommunications services shall be governed by the provisions of R14-2-510(B) and (C).

C. Filing of Tariffs, Price Levels, and Contracts. Each telecommunications company governed by this Article shall file with the Commission current tariffs, price levels, and contracts that comply with the provisions of this Article and with all Commission rules, orders, and all other requirements imposed by the laws of the state of Arizona.

1. Current tariffs for competitive services shall be maintained on file with the Commission pursuant to the requirements of A.R.S. ' 40-365.

2. Current price levels for competitive services shall be filed with the Commission pursuant to the requirements of R14-2-1109(B).

3. Contracts of telecommunications companies governed by this Article shall be filed with the Commission not later than five business days after execution. If the contract includes both competitive and noncompetitive services, it must be filed at least five business days prior to the effective date of the contract and must separately state the tariffed rate for the noncompetitive services and the price for the competitive services.

4. Contracts filed pursuant to this Article shall not be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding.

D. Accounts and Records.

1. Each telecommunications company shall keep general and subsidiary accounting books and records reflecting the cost of its intrastate properties, assets and liabilities, operating income and expenses, and all other accounting and statistical data which reflect complete, authentic, and accurate information regarding to its properties and operations. These accounting records shall be organized and maintained in such a way as to provide an audit trail through all segments of the telecommunications company's accounting system.

2. With the exception of local exchange companies, each telecommunications company providing competitive telecommunications services shall maintain its books and records in accordance with Generally Accepted Accounting Principles as promulgated by the Financial Accounting Standards Board and its successors, as amended by any subsequent modification or official pronouncement thereto, which directly relates to regulated industries.

E. Production of Accounts, Records, and Documents.

1. All telecommunications companies governed by this Article shall immediately make available, at the time and place the Commission may designate, any accounting records that the Commission may request. Accounting records shall include all or any portion of a telecommunications company's formal and informal accounting books and records along with any underlying and/or supporting documents regardless of the physical location of such books, records, and documents. Accounting records shall also include all books, records or documents which specifically identify, support, analyze, or otherwise explain the reasonableness and accuracy of affiliated interest transactions.

2. The Commission, at its sole discretion, may inspect any telecommunications company's formal and/or informal accounting books, records, and documents at the company's business premises or at its authorized representative's business premises which may be outside the state of Arizona. If inspection of the telecommunications company's accounting records does take place outside the state of Arizona, the telecommunications company will, to the extent legally permissible, assume all reasonable costs of travel, lodging, per diem, and all other miscellaneous costs incurred by participating personnel employed by the Commission or personnel contracted to represent the Commission in any manner.

F. Annual Reports to the Commission. All telecommunications companies providing competitive telecommunications services pursuant to this Article shall submit an annual report to the Commission which shall be filed on or before the 15th day of April for the preceding calendar year.

1. The annual report shall be in a form prescribed by the Commission and, at a minimum, shall contain the following information:

a. A statement of income for the reporting year similar in format to R14-2-103, Schedule (C)(1) or (E)(2). The income statement shall be Arizona-specific and reflect operating results in Arizona.

b. A balance sheet as of the end of the reporting year similar in format to R14-2-103, Schedule (E)(1). The balance sheet shall be Arizona-specific.

2. Annual reports filed pursuant to this Article shall not be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding.

G. Reports to the Securities and Exchange Commission. All telecommunications companies shall file with the Commission a copy of all reports required by the Securities and Exchange Commission.

H. Other Reports. All telecommunications companies shall file with the Commission a copy of all annual reports required by the Federal Communications Commission and, where applicable, annual reports required by the Rural Electrification Administration or any other agency of the United States.

I. Variations, Exemptions of Commission Rules. The Commission may consider variations or exemptions from the terms or requirements of any of the rules included herein (14 A.A.C. 2, Article 11) upon the verified application of an affected party. The application must set forth the reasons why the public interest will be served by the variation or exemption from the Commission rules and regulations. Any variation or exemption granted shall require an order of the Commission. Where a conflict exists between these rules and an approved tariff or order of the Commission, the provisions of the approved tariff or order of the Commission shall apply.

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