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Arizona Corporation Commission
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IN THE MATTER OF QWEST CORPORATION'S
FILING OF RENEWED PRICE REGULATION
PLAN

Docket No. T-01051B-03-0454

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

Docket No. T-00000D-00-0672

**RESPONSE OF AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC. TO
QWEST CORPORATION'S REQUEST TO EXTEND RENEWED PRICE CAP PLAN**

AT&T Communications of the Mountain States, Inc. and its affiliates operating in Arizona ("AT&T") respond to the pending request by Qwest Corporation ("Qwest") to indefinitely extend its existing Renewed Price Cap Plan ("Request"). Qwest filed its Request with the Commission on June 23, 2008 in Docket No. T-01051B-03-0454 ("Qwest Pricing Docket").¹

Qwest's Request raises a significant issue for AT&T and other carriers as well. When the Commission adopted Qwest's Renewed Price Cap Plan in March 2006 ("Price Plan"), one of its components provided that Qwest would reduce its intrastate switched access rates so as to reduce its access revenues by approximately \$15 million over a three-year period. This component of

¹ Although AT&T is not a party to the Qwest Pricing Docket, it is a party to Docket No. T-00000D-00-0672 ("Access Docket"), which, according to the Commission's website, was consolidated with the Qwest Pricing Docket by Decision No. 67047 (Jun. 18, 2004). AT&T files this response in these consolidated dockets. If an intervention is necessary, AT&T requests that the Commission consider this pleading as AT&T's request for leave to intervene in the Qwest Pricing Docket, pursuant to R14-3-105. As demonstrated below, AT&T is directly and substantially affected by the Request and its intervention will not unduly broaden the issues.

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1 the Price Plan, like its other components, was the product of a settlement agreement between
2 several parties—AT&T not included. According to the Price Plan, Qwest's access charges were
3 set for a term of three years. Qwest could initiate a request to extend, revise, or terminate the
4 Price Plan, including its access rate provisions, by filing an application with the Commission at
5 least nine months prior to the expiration of the Price Plan, which is what Qwest did on June 23,
6 2008.

7 Qwest's Request, if adopted, would extend Qwest's current access rates indefinitely. The
8 Commission, however, last year reactivated and currently is considering the broad issue of
9 telecommunications access charges in the Access Docket.² AT&T's position in that proceeding
10 is that the Commission should (1) require each carrier, including Qwest when its Price Plan
11 expires in March 2009, to lower its access rates to the level of the carrier's *interstate* access
12 rates, and (2) allow each carrier the opportunity to recover any lost access revenues by increasing
13 its retail rates and, in certain limited cases, drawing from the Arizona Universal Service Fund.

14 The Commission should reduce all ILECs', including Qwest's, and CLECs' access rates
15 in this manner because the excessively high switched access rates currently being charged by
16 Qwest and some other LECs are distorting the telecommunications market. The implicit
17 subsidies in switched access rates—and the economic reactions that they trigger—are harming
18 Arizona consumers and the Arizona telecommunications market. While such a system of cross-
19 subsidies was sustainable in the protected monopoly market structure of the past, the influx of
20 competitive alternatives in today's marketplace renders such approaches ineffective and
21 unsustainable.

22

23 ² Possible changes to the Arizona Universal Service Fund Rules (A.A.C. R14-2-1201, *et seq.*) are also consolidated
24 with this docket.

1 For these reasons, AT&T objects to the renewal of Qwest's Price Plan to the extent it
2 would shield Qwest from further access rate reductions. AT&T requests, therefore, that the
3 Commission enter its order that Qwest's access rates will be subject to the decisions and
4 procedures adopted by the Commission in the Access Docket.

5 RESPECTFULLY SUBMITTED this 3rd day of September, 2008.

6 GALLAGHER & KENNEDY, P.A.

7
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12 **Original and 15 copies** filed this
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18 **Copies** of the foregoing delivered
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