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BEFORE THE 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 **QWEST CORPORATION'S REPLY REGARDING MATRIX ISSUES AND PROCEDURAL RECOMMENDATIONS**

Qwest Corporation ("Qwest") submits the following reply comments pursuant to the Procedural Order entered in these dockets, dated August 20, 2008.

1. Which carriers' access rates should be the subject of this proceeding? Rural ILECs only? CLECs too?

Qwest Position: Rural ILEC and CLEC rates should both be addressed in this proceeding. Qwest's switched access rates have already been reduced on two separate occasions as part of Phase I of this docket and it would be improper to further address Qwest's rates prior to completing Phase II for all other carriers in the state.

2. What access rate level and structure should be targeted? Interstate? Qwest's current intrastate access rate level? Elimination of the CCL?

Qwest Position: Qwest's current intrastate rate level should be the objective for the carriers subject to Phase II.

3. How much of access cost recovery, if any, should be shifted to end users? What showing should be required for such a shift? What should be the role of "benchmark" rates, and how should benchmarks be set?

Qwest Position: Benchmarks should be set equal to 125% of the statewide average rate for both residence and business basic local service. Recovery of any reductions in a carrier's intrastate access charges should first be made by raising end user rates by an amount not to exceed the benchmark. The revenue affect associated with the access charge reductions should be calculated using current quantities for the access elements multiplied by the difference between the existing and proposed access rates.

4. How much of access cost recovery, if any, should be shifted to the AUSF? What showing should be required for such a shift?

Qwest Position: Any amount of revenue recovery for access cost reductions not recovered by first increasing local rates as described in # 3 above, or through FUSF disbursements, would be eligible for recovery from the AUSF. Carriers should first be required to make a showing, either through a R14-2-103 filing, or through a simplified earnings review, that their earnings do not exceed the authorized rate of return.

5. How long should a transition period be, if any?

Qwest Position: Any transition period should be determined on a carrier by carrier basis. Some carriers may need to make large increases to local rates in order to reach the benchmark and it would be appropriate to consider phasing those in over a period of time. Qwest believes that any phase in of rates should be accomplished in no more than three years.

6. Which carriers should be eligible for AUSF support?

Qwest Position: Only carriers who are certified as ETCs and whose rates are regulated by the ACC should be eligible for AUSF support.

7. What should be supported by the AUSF? Access replacement only? High cost loops? Line extensions? Centralized administration and automatic enrollment for Lifeline and Link-Up?

Qwest Position: As stated above, access replacement should only be supported to the extent that revenues cannot be recovered by raising local rates up to the statewide benchmark. AUSF funding could be used to support High cost loops by utilizing a competitive bid process for the minimum support necessary to provide service in the unserved area. The winner of the competitive bid will be the exclusive recipient of AUSF in the unserved area. Any such AUSF funds dispersed will be considered as an aid to construction, with no continuing support for the recipient's on-going operations after the initial construction. The winning bid must commit to serving the area for a minimum of 10 years.

AUSF funds should also be available in connection with the centralized administration and automatic enrollment of the Lifeline, Telephone Assistance, and Link-up Programs, all of which support and promote AUSF principles.

8. What should be the basis of AUSF contributions and what should be the structure of any AUSF surcharge(s)?

Qwest Position: AUSF Contributions should come from all sectors of the industry, i.e. ILEC, CLEC, Cable, Wireless and VOIP providers should all contribute. Pending adoption of revised procedures at the federal level, contributions should be determined based on a carrier's percent of statewide revenues. The AUSF surcharge should mirror any changes made to the surcharge methodology adopted by the FCC in connection with the Federal Universal Service Fund.

9. Other substantive issues?

Qwest Position: None

10. How is the best way to proceed resolving the foregoing issues?

Qwest Position:

The FCC has recently given indications that it plans to address intercarrier compensation issues by the end of this year. Qwest believes that that it would be advisable to wait and see what direction the FCC takes with respect to access charges before proceeding in Arizona. If the FCC fails to take action by the end of the year, then Qwest recommends that the Commission commence a rulemaking proceeding in Arizona.

RESPECTFULLY SUBMITTED this 7th day of October, 2008.

QWEST CORPORATION

By: Norman G. Curtright
4041 N. Central Ave., Suite 1100
Phoenix, Arizona 85012
Telephone: (602) 630-2187
Fax: (602) 235-3107
Attorney for Qwest Corporation

Original and 15 copies of the foregoing were filed this 7th day of October, 2008 with:

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

COPY of the foregoing mailed/emailed this 7th day of October, 2008 to:

Jane L. Rodda
Administrative Law Judge
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
jrodda@cc.state.az.us

Ernest G. Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
ernestjohnson@cc.state.az.us

Christopher Kempley, Chief Counsel
Arizona Corporation Commission
Legal Division
1200 West Washington Street
Phoenix, AZ 85007
ckempley@cc.state.az.us

Maureen A. Scott, Esq.
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
mscott@cc.state.az.us

Michael W. Patten
Roshka Heyman & DeWulf, PLC
400 E. Van Buren Street, Suite 800
Phoenix, AZ 85004
mpatten@rhd-law.com

Thomas Campbell
Michael Hallam
Lewis and Roca LLP
40 North Central Avenue
Phoenix, AZ 85004

Attorneys for Verizon
tcampbell@lrlaw.com
mhallam@lrlaw.com

Mark A. DiNunzio
Cox Arizona Telcom, LLC
MS: DV3-16, Bldg. C
1550 West Deer Valley Road
Phoenix, AZ 85027
Mark.dinunzio@cox.com

Scott Wakefield, Chief Counsel
Residential Utility Consumer Office (RUCO)
1110 West Washington Street, Suite 220
Phoenix, AZ 85007
sakefield@azruco.gov

Jeffrey Crockett
Bradley S. Carroll
Snell & Wilmer, LLP
One Arizona Center
Phoenix, AZ 85004
Attorneys for ALECA
jcrocket@swlaw.com
bcarroll@swlaw.com

Michael M. Grant
Gallagher & Kennedy
2575 East Camelback Road
Phoenix, AZ 85016
Attorneys for AT&T
mmg@gknet.com

Dan Foley
Gregory Castle
AT&T Nevada
645 E. Plumb Lane, B132
P.O. Box 11010
Reno, NV 89520
Dan.foley@att.com
Gc1831@att.com

Charles H. Carrathers, III
General Counsel South Central Region
Verizon, Inc.
HQE03H52
600 Hidden Ridge
Irving, TX 75015-2092
Chuck.carrathers@verizon.com

Arizona Dialtone, Inc.
Thomas W. Bade, president
717 W. Oakland Street
Chandler, AZ 85226
tombade@arizonadialtone.com

Joan S. Burke
Osborn Maledon, PA
2929 North Central Avenue, Suite 2100
Phoenix, AZ 85012
Attorneys for Time Warner Telecom
jburke@omlaw.com

OrbitCom, Inc.
Brad VanLeur, President
1701 N. Louise Avenue
Sioux Falls, SD 57107
bvanleur@svtv.com

Lyndall Nipps
Vice President, Regulatory
Time Warner Telecom
845 Camino Sur
Palm Springs, CA 92262
Lyndall.nipps@twtelecom.com

Karen E. Nally
Moyes Sellers & Sims, Ltd.
1850 N. Central Avenue, Suite 1100

Dennis D. Ahlers
Associate General Counsel
Eschelon Telecom, Inc.

Phoenix, AZ 85004
kenally@lawns.com

730 Second Avenue, Suite 900
Minneapolis, MN 55402
ddahlers@eschelon.com

Nathan Glazier
Regional Manager
Alltel Communications, Inc.
4805 E. Thistle Landing Drive
Phoenix, AZ 85044
Nathan.glazier@alltel.com

Dennis D. Ahlers
Associate General Counsel
Integra Telecom, Inc.
730 Second Avenue, Suite 900
Minneapolis, MN 55402
ddahlers@eschelon.com

Diane Krpan