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2009 AUG 10 P 4: 48

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August 10, 2009

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Elijah Abinah
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Arizona Corporation Commission

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Re: *AT&T's Procedural Recommendations on the Access and USF Dockets;*
Docket Nos. RT-00000H-97-0137 and T-00000D-00-0672

Dear Eli:

At the July 27, 2009 workshop, you invited parties to provide their recommendations for proceeding in this matter now that the workshops have concluded. AT&T offers the following procedural recommendation, which was briefly outlined at the workshop.

The need for access and related USF reform in Arizona is urgent for the reasons stated by AT&T in previous pleadings and the Commission should adopt that reform now. (See, e.g., Comments of AT&T in Response to February 3, 2009 Procedural Order, pp. 2-4 (Feb. 18, 2009)). In fact, in comments to the FCC last year, the Commission agreed "that the existing system of intercarrier compensation is in dire need of reform." (WC Docket No. 05-337, Reply Comments of the Arizona Corporation Commission, p.14 (Dec. 22, 2008)).

That reform, moreover, cannot wait for the FCC to act. As Staff is aware, the FCC has tried unsuccessfully for years to address comprehensive intercarrier compensation reform, but due to the complexity and contentiousness of the issues, comprehensive reform has stalled. The FCC is now in transition. With a new chairman and two other new commissioners, new priorities will be established. Most workshop presenters agree that it is unclear at this time how, when, or even if the FCC will address access reform. Awaiting action at the federal level is, therefore, neither a realistic nor a responsible strategy. Accordingly, the Commission should move forward to address intrastate access and universal service reform expeditiously.

These dockets' recent history also demonstrates that reform will be achieved only through formal Commission action; informal procedures have not been, and will not be, productive. Multi-party, informal discussions over the last 18 months produced little progress. Similarly, parties' presentations at the recent workshops demonstrate little, if any, movement on positions they advocated in early 2008.

The Commission, therefore, should establish a formal process for resolving these issues. AT&T recommends the following:

Direct testimony filed and served (including each party's proposed set of revisions to AUSF Rules)	60 days after the next procedural conference is held pursuant to the Feb. 3, 2009 Procedural Order
Reply testimony filed and served	30 days after direct testimony is filed
Hearings	30 days after reply testimony is filed
Briefs	Schedule established by ALJ

The parties' testimonies should, at a minimum, address the following four issues:

- (1) What carriers should be covered by access reform and to what target level should their access rates be reduced;
- (2) How procedurally should the Commission require reduction in access rates to the desired level;
- (3) What revenue sources should be made available to carriers to compensate for the loss of access revenues and procedurally what will be required of a carrier if it seeks a "revenue neutral" increase in local rates as one revenue source; and
- (4) Assuming that AUSF funds will also be used as one compensating revenue source, what specific revisions, including recommended amendment language, to the existing rules are needed to allow use of AUSF funds for that purpose as well as specific amendment language to address any other suggested changes to the AUSF rules?

The Commission's ruling based on the information supplied relative to the fourth question would allow the decision to include a proposed set of revised AUSF rules that would be used for a rulemaking pursuant to the Arizona Administrative Procedures Act.

Elijah Abinah
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Thank you for this opportunity to make procedural recommendations.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

A handwritten signature in black ink, appearing to read "Michael M. Grant", with a long horizontal flourish extending to the right.

By:

Michael M. Grant

MMG/plp
17840-11/2156657

cc: Will Shand, Utilities Division (delivered)
Parties on Docket Service List (e-mailed)

Original and 15 copies filed with Docket
Control this 10th day of August, 2009.