

ORIGINAL



0000108759

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

KRISTIN K. MAYES, *Chairman*
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2010 MAR -5 A 11: 5b

ALE CORP COMMISSION
DOCKET CONTROL

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

NOTICE OF FILING

REJOINDER TESTIMONY OF DOUGLAS DUNCAN MEREDITH

The Arizona Local Exchange Carriers Association ("ALECA") hereby files the Rejoinder
Testimony of Douglas Duncan Meredith.

RESPECTFULLY SUBMITTED on March 5, 2010.

Craig A. Marks
Craig A. Marks, PLC
10645 N. Tatum Blvd., Ste. 200-676
Phoenix, Arizona 85028
(480) 367-1956 (Direct)
(480) 367-1956 (Fax)
Craig.Marks@azbar.org
Attorney for ALECA

**Original and 15 copies filed
on March 5, 2010, with:**

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

Arizona Corporation Commission
DOCKETED

MAR -5 2010

DOCKETED BY

**Copies of the foregoing mailed on
March 5, 2010, to:**

Jane L. Rodda, Administrative Law Judge
Hearing Division
Arizona Corporation Commission
400 W. Congress Ave, Ste. 218
Tucson, AZ 85701-1347

Norm Curtright
Qwest Corporation
20 East Thomas Road, 16th Floor
Phoenix, AZ 85012

Dennis Ahlers
Associate General Counsel
730 Second Avenue, Suite 900
Minneapolis, MN 55402

Brad VanLeur, President
OrbitCom, Inc.
1701 North Louise Avenue
Sioux Falls, SD 57107

Reed Peterson
Qwest Corporation
20 East Thomas Road, 16th Floor
Phoenix, AZ 85012

Thomas Bade, President
Arizona Dialtone, Inc.
6115 South Kyrene Road
Tempe, AZ 85283

Greg L. Rogers
Level 3 Communications, LLC
1025 Eldorado Blvd.
Broomfield, CO 80021

**Copies of the foregoing e-mailed on
March 5, 2010, to:**

Maureen A. Scott, Senior Staff Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
mscott@azcc.gov

Dan Pozefsky
Residential Utility Consumer Office
1110 West Washington, Suite 220
Phoenix, AZ 85007
dpozefsky@azruco.com

Dan Foley
Gregory Castle
AT&T Nevada
645 East Plumb Lane, B132
P.O. Box 11010
Reno, NV 89520
dan.foley@att.com
gc1831@att.com

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
ejohnson@acc.gov

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

Thomas Campbell
Michael Hallam
Lewis and Roca, LLP
40 North Central Avenue
Phoenix, AZ 85004
tcampbell@lrlaw.com
mhallam@lrlaw.com
Attorneys for Verizon

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

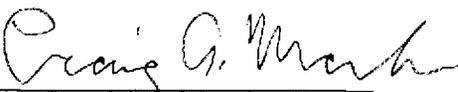
Michael W. Patten
Roshka DeWulf & Patten, PLC
One Arizona Center
Phoenix, AZ 85004
mpatten@rdp-law.com

Joan S. Burke
Osborn Maledon, PA
2929 North Central Avenue, Suite 2 100
Phoenix, AZ 85027
jburke@omlaw.com
Attorneys for Time Warner Telecom

Mark A. DiNunzio
MS DV3- 16, Building C
Phoenix, AZ 85027
Mark.dinunzio@cox.com

Catherine A. Murray, Manager
Integra Telecom, Inc.
730 Second Avenue, Suite 900
Minneapolis, MN 55402
camurray@eschelon.com

By:


Craig A. Marks

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

Arizona Payphone Association
c/o Gary Joseph
Sharet Communications
4633 West Polk Street
Phoenix, AZ 85043
garyj@nationalbrands.com

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

William A. Haas
Deputy General Counsel
6400 C Street SW
Cedar Rapids, Iowa 52406
Bill.Haas@mcleodusa.com

W. John Hayes, General Manager
Table Top Telephone Company, Inc.
600 N. Second Ave.
Ajo, AZ 85321
jhayes@tabletoptelephone.com

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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

**REJOINDER TESTIMONY OF
DOUGLAS DUNCAN MEREDITH
ON BEHALF OF
THE ARIZONA LOCAL EXCHANGE
CARRIERS ASSOCIATION**

1 **I INTRODUCTION**

2 **Q: ARE YOU THE SAME DOUGLAS DUNCAN MEREDITH WHO PREVIOUSLY**
3 **SUBMITTED TESTIMONY IN THESE DOCKETS?**

4 **A:** Yes.

5 **Q: WHAT ISSUES WOULD YOU LIKE TO ADDRESS IN YOUR BRIEF**
6 **REJOINDER TESTIMONY?**

7 **A:** I would like to respond briefly to three issues raised by Qwest, AT&T, and Sprint. Please
8 note that my silence on other issues raised in reply testimony does not mean that I agree
9 with any position taken on those issues. Rather, I believe the record is sufficiently clear
10 for the Commission to judge those issues without additional rejoinder testimony.

11 **Q: QWEST HAS SUGGESTED THAT ALECA'S HIGH-COST LOOP PROPOSAL**
12 **WOULD LEAD TO DOUBLE RECOVERY OF LOOP COSTS;¹ IS THIS**
13 **ALECA'S INTENT?**

14 **A:** No. The ALECA proposal was designed to provide additional support for unreimbursed
15 loop costs exceeding the 115 percent national average. See proposed Rule R14-2-
16 1202(A). Under the proposed rule, only unreimbursed costs in excess of 115 percent of
17 the national average cost per loop are eligible for consideration.

18 After reading Mr. Copeland's testimony, I do agree that a clarification should be made in
19 the rule to explicitly state that a percentage of costs in excess of 115 percent of the
20 national average are reimbursed through the programs in the interstate jurisdiction.
21 Therefore, I recommend the rule explicitly include the statement: "Such amount shall
22 account for the allocation of loop costs assigned to and recovered or reimbursed in the
23 interstate jurisdiction."

¹ Copeland Reply Testimony at 8-9.

1 This addition to the proposed rule would prevent double recovery of costs in excess of
2 the 115 percent threshold.

3 **Q: AT&T SUGGESTS THAT MOVING TO INTERSTATE RATES WOULD BE**
4 **EASIER RATHER THAN USING QWEST'S RATE AS A COMPOSITE**
5 **TARGET;² DO YOU AGREE?**

6 A: No. The mirroring process proposed by AT&T would not be easier because the rate
7 elements and rate structure used in the interstate jurisdiction differ from the rate elements
8 and rate structure used in the state jurisdiction. The ALECA proposal recognizes these
9 differences and recommends a Qwest-based composite target of \$0.022 per minute of use
10 for state switched access service. Under this proposal, each ALECA member would
11 reduce its current state access tariff rates to reach this composite per-minute-of-use target.
12 This is a very sound and conservative first step that does not require a change of the
13 structure of each ALECA state access tariff. I also note that the proposed rule R14-2-
14 1202(A) (F) contemplates future access reductions as determined by the Commission.
15 Thus, I continue to recommend the Commission take the recommended first step in state
16 access reduction and use the Qwest composite target rate.

17 **Q: WHAT DO YOU THINK OF SPRINT'S SUGGESTION THAT NON-**
18 **REGULATED REVENUES SHOULD BE USED TO OFFSET REGULATED**
19 **REVENUES LOST DUE TO STATE ACCESS REFORM?³**

20 A: I recommend the Commission reject this suggestion. The fact that ALECA members
21 provide bundles that include non-regulated services is not relevant in this proceeding.
22 Cross-subsidization of services is a violation of ACC rule R14-2-1109 (C). The ALECA
23 companies comply with FCC Part 64 that ensures the proper assignment of cost between

² Aron Reply Testimony at 62-63.

³ Appleby Reply Testimony at 17:1-5.

1 regulated and non-regulated activities. Non-regulated operations should not be used to
2 subsidize regulated operations, just as regulated operations should not subsidize non-
3 regulated operations.

4 Aside from the fact that cross-subsidization is a violation of ACC rules, many of the
5 bundled services offered by ALECA members may include products that are “break-
6 even” with regard to profitability. Sprint points out revenue opportunities for some
7 ALECA members far exceed their basic local voice revenue streams; however, the costs
8 of these opportunities are not considered in Sprint’s analysis. I recommend the
9 Commission reject this proposal.

10 **Q: DOES THIS END YOUR PRE-FILED REJOINDER TESTIMONY?**

11 **A:** Yes.