



0000108765

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman

2010 MAR -5 P 2:30

GARY PIERCE
Commissioner

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

PAUL NEWMAN
Commissioner

MAR -5 2010

SANDRA D. KENNEDY
Commissioner

DOCKETED BY
JK MS

BOB STUMP
Commissioner

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 DON PRICE

Attached is the Rejoinder Testimony of Don Price filed on behalf of Verizon.

RESPECTFULLY SUBMITTED this 5th day of March, 2010.

LEWIS AND ROCA

Thomas H. Campbell
Michael T. Hallam
40 N. Central Avenue
Phoenix, Arizona 85004

Attorneys for Verizon

1 ORIGINAL and fifteen (15) copies
2 of the foregoing filed this 5th day of March, 2010, with:

3 Arizona Corporation Commission
4 Docket Control – Utilities Division
5 1200 W. Washington Street
6 Phoenix, Arizona 85007

7 COPY of the foregoing hand-delivered
8 this 5th day of March, 2010, to:

9 Jane L. Rodda
10 Administrative Law Judge
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, AZ 85007

14 Janice Alward, Chief Counsel
15 Legal Division
16 ARIZONA CORPORATION COMMISSION
17 1200 West Washington Street
18 Phoenix, Arizona 85007

19 Mr. Steve Olea, Director
20 Utilities Division
21 ARIZONA CORPORATION COMMISSION
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 COPY of the foregoing mailed
25 this 5th day of March, 2010, to:

26 Norm Curtright
Qwest Corporation
20 East Thomas Road, 16th Floor
Phoenix, Arizona 850 12*

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

Patrick J. Black
Fennemore Craig, PC
3003 N. Central Ave.
Suite 220
Phoenix, AZ 85012
Attorneys for Qwest Corporation
and Qwest Communications Company, LLC*

1 Greg L. Rogers
Senior Corporate Counsel
2 Level 3 Communications, LLC
1025 Eldorado Boulevard
3 Broomfield, Colorado 80021

4 Paul Castaneda
President, Local 7019
5 COMMUNICATION WORKERS OF AMERICA
2501 W. Dunlap
6 Suite 103
Phoenix, AZ 85029

7
8 COPY of the foregoing e-mailed
this 15th day of March, 2010, to:

9
10 Dan Pozefsky, Chief Counsel
Residential Utility Consumer Office
11 1110 West Washington, Suite 220
Phoenix, AZ 85007
12 Dpozefsky@azruco.gov*

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

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

Rex Knowles
Executive Director - Regulatory
XO Communications
Suite 1000
11 1 E. Broadway
Salt Lake City, UT 84111
Rex.knowles@xo.com*

16 Michael M. Grant*
Gallager & Kennedy
17 2575 East Camelback Road
Phoenix, AZ 85016
18 mmg@gknet.com

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

19 Dan Foley
Isabelle Salgado
20 AT&T Nevada
645 E. Plumb Lane, B 132
21 PO Box 11010
Reno, NV 89520
22 dan.foley@att.com
gc1831@att.com*

Craig Marks
Craig A. Marks, PLC
10645 N. Tatum Blvd., Suite 200-676
Phoenix, AZ 85028
Craig.Marks@azbar.org

23
24 Joan S. Burke
Osborn Maledon, PA
2929 North Central Avenue, Suite 2 100
25 Phoenix, AZ 85012
26 jburke@omlaw.com*

1 William A. Haas
2 Deputy General Counsel
3 McLeodUSA Telecommunications
4 Services, Inc.
5 6400 C. Street SW
6 Cedar Rapids, Iowa 52406
7 Bill.Haas@mcleodusa.com

8 Dennis D. Ahlers
9 Associate General Counsel
10 Integra Telecom, Inc.
11 6160 Golden Hills Drive
12 Golden Valley, MN 55416
13 ddahlers@eschelon.com

14 Charles H. Carrathers, III
15 General Counsel, South Central Region
16 Verizon, Inc.
17 HQE03H52
18 600 Hidden Ridge
19 Irving, Texas 750 15-2092
20 chuck.carrathers@verizon.com

21 Arizona Dialtone, Inc.
22 Thomas W. Bade, President
23 717 W. Oakland St.
24 Chandler, Arizona 85226
25 Tombade@arizonadialtone.com

26 Orbitcorn, Inc.
Brad VanLeur, President
1701 N. Louise Ave.
Sioux Falls, SD 57107
bvanleur@svtv.com

Scott Wakefield
Ridenour, Hienton & Lewis, P.L.L.C.
201 N. Central Avenue, Suite 3300
Phoenix, AZ 85004-1052
sswakefield@rhkl-law.com

23 Jaime Williams

Stephen H. Kukta
Sprint Nextel
201 Mission Street, Suite 1500
San Francisco, CA 94105
stephen.h.kukta@sprint.com

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

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

Catherine A. Murray, Manager
Integra Telecom, Inc.
6160 Golden Hills Drive
Golden Valley, MN 55416
camurray@eschelon.com

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

Karen E. Nally
Moyes, Sellers & Sims, Ltd.
1850 North Central Avenue, Suite 1100
Phoenix, AZ 85044
kenally@lawms.com

BEFORE THE ARIZONA CORPORATION COMMISSION

**IN THE MATTER OF THE REVIEW)
AND POSSIBLE REVISION OF)
ARIZONA UNIVERSAL SERVICE) DOCKET NO. RT-00000H-97-0137
FUND RULES, ARTICLE 12 OF THE)
ARIZONA ADMINISTRATIVE CODE.)**

**IN THE MATTER OF THE)
INVESTIGATION OF THE COST OF) DOCKET NO. T-00000D-00-0672
TELECOMMUNICATIONS ACCESS.)**

REJOINDER TESTIMONY OF

DON PRICE

ON BEHALF OF VERIZON

March 5, 2010

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS**
3 **ADDRESS.**

4 A. My name is Don Price. I am a Director - State Public Policy for Verizon.
5 My business address is 701 Brazos, Suite 600, Austin, Texas, 78701.

6 **Q. ARE YOU THE SAME DON PRICE WHO ON VERIZON'S**
7 **BEHALF FILED DIRECT TESTIMONY ON DECEMBER 1, 2009**
8 **AND REPLY TESTIMONY ON FEBRUARY 5, 2010 IN THIS**
9 **PROCEEDING?**

10 A. Yes, I am.

11 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REJOINDER**
12 **TESTIMONY.**

13 A. The purpose of my rejoinder testimony is to briefly respond to various
14 aspects of the reply testimony filed by other parties. My previously-filed
15 direct and reply testimony already addressed the majority of arguments
16 raised in the other parties' reply testimony, and I will not burden the
17 record by repeating my earlier discussion here. Thus, the fact that I do not
18 address some aspects of the parties' reply testimony here should not be
19 construed as agreement with that testimony.

20

21 **II. THE COMMISSION SHOULD REJECT THE COMPETITIVE**
22 **LOCAL EXCHANGE CARRIERS' ("CLECS") ARGUMENTS IN**
23 **DEFENSE OF THEIR CURRENT ACCESS RATES AND SHOULD**
24 **TAKE IMMEDIATE ACTION TO REDUCE AND CAP CLECS'**
25 **INTRASTATE ACCESS RATES**

1 **Q. IS THERE ANY MERIT TO THE JOINT CLECS' ARGUMENT¹**
2 **THAT THE CLECS' MARKET POWER IS LIMITED TO**
3 **TERMINATING ACCESS, AND THAT THE COMMISSION NEED**
4 **NOT BE CONCERNED WITH CLECS' ORIGINATING ACCESS**
5 **RATE LEVELS?**

6 A. No. First of all, the Joint CLECs' testimony is a blatant
7 mischaracterization of my Direct Testimony, because nowhere do I
8 "acknowledge that alleged market power in the [CLEC] access market is
9 limited to terminating access."²

10 Second, my testimony in this proceeding confirms that the CLECs'
11 market power exists for *both* originating *and* terminating switched access
12 service. At page 8 of my Direct Testimony,³ I noted that this market
13 power is particularly strong with respect to terminating access, but that it
14 also exists in the CLEC switched access market as a whole – including the
15 market for CLEC originating access. At page 8 of my Reply testimony,⁴ I
16 stated that "*CLECs have market power in the provision of access services*
17 *when they handle interexchange calls originating from the CLECs'*
18 *customers* and when they deliver interexchange calls for termination to the
19 CLEC's customers." I also noted the FCC's conclusion that CLECs'
20 access rates generally "[do] not appear to be *structured* in a manner that

¹ See Reply Testimony of Douglas Denney on behalf of the Joint CLECs, filed February 5, 2010 ("Jt. CLEC Reply") at 8-12.

² *Id.* at 11, lines 1-3.

³ See Direct Testimony of Don Price on behalf of Verizon, filed December 1, 2009 ("Verizon Direct") at 8.

⁴ See Reply Testimony of Don Price on behalf of Verizon, filed February 5, 2010 ("Verizon Reply") at 8 (emphasis added).

1 allows competition to discipline rates.”⁵ In reaching that conclusion, the
2 FCC observed “that CLEC originating access service may also be subject
3 to little competitive pressure, notwithstanding the fact that the IXCs
4 typically have a relationship with the local exchange provider in order to
5 be included on the LEC’s list of prescribed IXCs.”⁶ The FCC’s
6 conclusion that CLECs’ access rates are not disciplined by competition
7 expressly applies to *both* terminating *and* originating access.

8 Third, in recent decision capping CLECs’ access rates, the
9 Massachusetts Department of Telecommunications and Cable (“DTC”)
10 rejected the same arguments the Joint CLECs make here, concluding “that
11 the structural deficiencies the FCC identified as inhibiting market forces in
12 the interstate switched access market, *similarly inhibit competition in the*
13 *intrastate originating switched access market among CLECs*”⁷ I
14 explicitly referenced this decision in my Reply testimony, noting that the
15 “Massachusetts DTC found market failures *in both the originating* and
16 terminating CLEC switched access markets,” and pointing out that the
17 DTC had concluded that “the originating switched access market also is
18 not sufficiently competitive.”⁸

⁵ See *Reform of Access Charges Imposed by Competitive Local Exchange Carriers*, Seventh Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 9923 (April 26, 2001) (“CLEC Rate Cap Order”) at ¶ 32 (emphasis in original); see also Verizon Reply at 8.

⁶ CLEC Rate Cap Order at ¶ 29.

⁷ *Petition of Verizon New England Inc. et al. for Investigation Under Chapter 159, Section 14, of the Intrastate Access Rates of Competitive Local Exchange Carriers*, Final Order, D.T.C. 07-9 (June 22, 2009) (“MA DTC Order”) at 17 (emphasis added).

⁸ See Verizon Reply at 11 (emphasis added); see also MA DTC Order at 11; 14.

1 Finally, although numerous states have imposed constraints on
2 CLECs' exercise of market power by capping CLEC access rates (the
3 lengthy list of citations is set forth at pages 15-16 of my Direct
4 Testimony), I am aware of just one that has acted to cap only CLECs'
5 terminating access rates. This too indicates that the market power that
6 CLECs have over intrastate switched access is not limited to terminating
7 access rates, as the Joint CLECs would have the Commission conclude.

8 **Q. DO YOU AGREE WITH THE JOINT CLECS' ARGUMENT THAT**
9 **"THE MOST DIRECT WAY FOR AN IXC TO CONTROL ITS**
10 **ACCESS COST IS TO ACQUIRE THE END-USER AS A LOCAL**
11 **CUSTOMER"?**⁹

12 A. Not at all. The threat of *retail* competition will not force CLECs to lower
13 their *intrastate switched access rates*. The notion that competition for
14 retail end users will discipline CLECs' access rates over time ignores the
15 marketplace reality that carriers compete with each other for customers by
16 offering the best *retail* price for a service. End users care only about what
17 they have to pay their chosen supplier, not what that supplier may be
18 charging others for upstream services such as switched access. In other
19 words, carriers compete for end-user customers on the basis of *retail* rates,
20 not *switched access rates*. In fact, if a CLEC lowers its retail rates to
21 compete in the retail market, it has the incentive to maintain high switched
22 access rates to make up for retail revenues lost from aggressively lowering
23 its retail rates to win a customer.

⁹ See Jt. CLEC Reply at 13.

1 Taken to its conclusion, under the Joint CLECs' model, the only
2 way for a carrier to stop paying inflated switched access rates to a
3 particular CLEC would be to compete so aggressively against that CLEC
4 in the retail market that the CLEC loses all of its customers and is driven
5 out of business. The argument is illogical because it implies that a retail
6 monopoly is the only way to eliminate high access charges. Clearly, a
7 regulatory mechanism that constrains CLEC switched access rates is a
8 more sensible and preferable solution.

9 **Q. THE JOINT CLECS REFERENCE THE FCC'S 2001 DECISION**
10 **TO CAP CLECS' INTERSTATE ACCESS RATES AS SUPPORT**
11 **FOR THEIR ARGUMENT THAT IXCS CAN NOW CONTROL**
12 **THEIR ACCESS COSTS BY COMPETING FOR END USERS.¹⁰**
13 **HOW DO YOU RESPOND?**

14 A. The Joint CLECs do not provide any evidence to support the proposition
15 that developments subsequent to the FCC's 2001 decision "ha[ve] resulted
16 in effective downward competitive pressure on CLEC access rates."¹¹
17 There is, however, ample evidence to the contrary, as demonstrated both
18 by testimony in this proceeding and the Joint CLECs' own admission that
19 they can maintain access rates at levels well above the rates of the ILECs
20 in whose territories they compete. And if the FCC believed that
21 conditions had changed, it presumably would have initiated a review of its
22 rules. It has not done so, nor has its 2001 Order been withdrawn, reversed,
23 superseded, vacated or otherwise invalidated. Likewise, the FCC's rules

¹⁰ See Jt. CLEC Reply at 14.

¹¹ See *id.*, quoting the FCC's *CLEC Rate Cap Order* at ¶ 32.

1 capping CLECs' interstate rates remain in effect. Furthermore, I noted in
2 my Reply testimony that West Virginia and Massachusetts have recently
3 joined over a dozen other states by constraining CLECs' intrastate access
4 rates.¹² These recent decisions, as well as the facts presented in this
5 proceeding, contradict the Joint CLECs' claim that competitive pressures
6 are now sufficient to discipline CLECs' access rates, and reflect a growing
7 recognition of the need to curb excessive rates through regulatory
8 intervention in the absence of competitive market pressure that can
9 achieve similar results.

10
11 **III. THE COMMISSION SHOULD REJECT THE CLECS'**
12 **PROPOSALS FOR "ALTERNATIVE" RATE CAPS**

13 **Q. WHAT ARE THE CLECS' "ALTERNATIVE" RATE CAP**
14 **PROPOSALS?**

15 A. The Joint CLECs argue that, if the Commission determines that a rate cap
16 is necessary, it should set the benchmark at Qwest's access rates in effect
17 circa 1999.¹³ Cox, on the other hand, argues that the Commission should
18 establish the benchmark "at a reasonable level above the ILEC's rate."¹⁴
19 As I discuss below, the Commission should not adopt either of these
20 recommendations.

¹² See Verizon Reply at 8.

¹³ See Jt. CLEC Reply at 29.

¹⁴ See Reply Testimony of Douglas Garrett on behalf of Cox Communications, filed February 5, 2010 ("Cox Reply") at 6.

1 **Q. IS THERE ANY RELEVANCE TO THE JOINT CLECS’**
2 **ASSERTION THAT “MOST CLECS” WERE ENTERING THE**
3 **MARKET IN “THE 1999 TIME FRAME?”¹⁵**

4 A. No. The Joint CLECs claim that Qwest’s 1999 access rates “would have
5 been considered when CLECs made the determination on whether they
6 could enter and compete in local markets.”¹⁶ This argument suggests that,
7 once the CLECs’ decisions to enter Arizona markets were made, those
8 business decisions should somehow inform the Commission as it carries
9 out its responsibility to ensure that the CLECs charge reasonable access
10 rates more than a decade later. Of course, the Joint CLECs fail to cite any
11 statute or rule in support of this questionable proposition.

12 The Joint CLECs argue that, if the Commission establishes a
13 benchmark, it should do so using Qwest’s 1999 switched access rates,
14 before those rates were subsequently reduced in several steps.¹⁷ But the
15 Joint CLECs’ testimony amounts to an admission that they possess an
16 ongoing ability to exert market power in the provision of access services.
17 If, as Sprint noted, CLECs face competitive pressures for their access
18 services (which they do not), the CLECs would have lowered their
19 switched access rates in response to each of the subsequent reductions in
20 Qwest’s access rates.¹⁸ But the CLECs made no such competitive

¹⁵ See Jt. CLEC Reply at 29.

¹⁶ See *id.* at 30.

¹⁷ It appears that Qwest’s access rates were reduced in 2001, 2002, 2003, and 2006. See Direct Testimony of Lisa Hensley Eckert on behalf of Qwest, filed December 1, 2009 (“Qwest/Eckert Direct”) at 3.

¹⁸ See Reply Testimony of James A. Appleby on behalf of Sprint, filed February 5, 2010 (“Sprint Reply”) at 8.

1 response because there are no competitive pressures on CLECs' access
2 rates. A similar argument was made in the Massachusetts proceeding –
3 that CLECs' access rates should be benchmarked against the incumbent
4 LEC's (Verizon's) earlier access rates that were in effect before Verizon
5 was later ordered to reduce them – and the Massachusetts DTC rejected
6 the argument.¹⁹

7 **Q. WHAT IS YOUR RESPONSE TO COX'S PROPOSAL THAT THE**
8 **COMMISSION SHOULD ESTABLISH THE CLEC RATE CAP BY**
9 **INCLUDING A CUSHION ABOVE QWEST'S ACCESS RATES?²⁰**

10 A. This proposal ostensibly is intended to “recognize the differences”
11 between ILEC and “CLEC networks and costs,” but Cox provided no
12 evidence to support a finding that such “differences” exist. Cox also
13 failed to articulate any policy basis for allowing CLECs to charge rates
14 higher than the ILEC in whose territory they compete. Indeed, should the
15 Commission decide to endorse such a “cushion,” the effect would be to
16 penalize other carriers with more reasonable rates by allowing the CLECs
17 to continue to distort the marketplace.

18 In addition, Cox's argument rests on the unusual premise that it
19 should be entitled to regulatory protection for what it apparently believes
20 was an uneconomic decision by it to enter the market in Arizona. A
21 prudent business plan in 1999 presumably would have taken into account
22 the likelihood that new market entry, increased competition, improved

¹⁹ See MA DTC Order at 28.

²⁰ See Cox Reply at 6.

1 technology and innovation would lead to lower prices over time. It would
2 have been naïve to predicate a business plan on the assumption that these
3 market trends would have little effect and that prices would remain static
4 in the future. Regardless of the wisdom or foresight of new entrants more
5 than a decade ago, it would not be reasonable for the Commission to
6 develop forward-looking regulatory policy today either with an eye to
7 maintaining some carriers' outdated expectations or based on conditions
8 that are no longer valid or relevant. It is one thing to argue that Cox's
9 presence in the market is good for Arizona consumers, but quite another
10 thing to argue that Cox should be allowed to charge excessive access rates
11 to support its competitive retail services.

12 **Q. WHAT IS YOUR RESPONSE TO THE JOINT CLECS'**
13 **ARGUMENT THAT "COST IS THE MOST APPROPRIATE**
14 **STANDARD" FOR SETTING CLEC ACCESS RATES?²¹**

15 A. This argument is similar to Cox's claim about "network differences"
16 discussed above. Like Cox, the Joint CLECs provide absolutely no
17 evidence to support their claim, so the Commission has no basis on which
18 to give this argument any credence.

19 **Q. DO YOU HAVE ANY CONCLUDING COMMENTS ON THE**
20 **CLECS' ARGUMENTS?**

21 A. Yes. Together, the CLECs' arguments amount to flimsy and unsupported
22 excuses for continuing to charge excessive rates. The FCC and other
23 states have considered and correctly rejected this same posturing, choosing

²¹ See Jt. CLEC Reply at 27.

1 instead to cap CLECs' access rates at the level of the ILEC in whose
2 territory they compete. This Commission likewise should dismiss these
3 arguments and adopt Verizon's recommendation to cap CLECs' Arizona
4 intrastate access rates at the level of Qwest's rates, as discussed in my
5 Direct and Reply testimony.

6

7 **IV. THE COMMISSION SHOULD REJECT ALECA'S ARGUMENTS**
8 **IN FAVOR OF REVENUE NEUTRALITY AND AGAINST RETAIL**
9 **RATE BENCHMARKS**

10 **Q. ALECA POINTS TO THE INTERSTATE COMMON LINE**
11 **SUPPORT COMPONENT OF THE FEDERAL UNIVERSAL**
12 **SERVICE FUND AS SUPPORT FOR ITS RECOMMENDATION**
13 **FOR A "REVENUE NEUTRAL" RECOVERY OF FOREGONE**
14 **ACCESS REVENUES FROM AN EXPANDED AUSF. DO YOU**
15 **AGREE WITH ALECA'S DISCUSSION?**

16 A. No. As noted by ALECA at page 4, lines 15-18 of its Reply testimony,
17 the FCC's *MAG Order*²² nine years ago had the effect of shifting recovery
18 of certain revenues from switched access rates to a component of the
19 federal USF. But ALECA's discussion is inapposite and misleading,
20 because the FCC's decision at the time was based on *up-to-date* financial
21 data on the companies, which was available to the agency because rate-of-
22 return carriers make annual FCC filings reflecting their jurisdictionally

²² See *Multi-Association (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Second Report & Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report & Order in CC Docket No. 96-45, and Report & Order in CC Docket Nos. 98-77 and 98-166, 16 FCC Rcd 19613 (2001) at ¶ 61.

1 interstate costs at the FCC's prescribed rate-of-return.²³

2 In contrast, Staff has noted that this Commission has *no* recent
3 information about ALECA member companies' financial conditions, and
4 indeed, that in all but one instance, the available data is at least 10 years
5 old.²⁴ For this reason, the FCC's earlier approach provides this
6 Commission no basis for burdening *all* Arizona users by requiring them to
7 fund a dollar-for-dollar shift of ALECA companies' revenues from access
8 to an expanded AUSF. The FCC relied on the interstate USF and SLC
9 because those are the only fixed cost recovery mechanisms available to it.
10 On the state side, the most obvious place for recovery of fixed costs is in
11 charges to end users – there is no need to consider the state USF

12 **Q. BY YOUR PREVIOUS ANSWER, ARE YOU DISAGREEING**
13 **WITH ALECA'S CLAIM THAT ITS RATES ARE "PRESUMED**
14 **REASONABLE"**²⁵ **AND THAT THE CARRIERS ARE ENTITLED**
15 **TO WHATEVER REVENUES ARE NOW GENERATED BY**
16 **THOSE RATES?**

17 A. Yes. Staff witness Mr. Shand testified that in the past decade, the
18 Commission has conducted an earnings investigation and established rates
19 for only one of the ALECA member companies.²⁶ Given the rapid pace of
20 change within the telecommunications industry, pointing to financial
21 analyses that are more than ten years old says nothing about the finances

²³ See Direct Testimony of Wilfred Shand, on behalf of the Arizona Corporation Commission (Utilities Division), filed January 8, 2010 ("Staff Direct") at 6.

²⁴ See Staff Direct at 19.

²⁵ See Reply Testimony of Douglas Duncan Meredith on behalf of the Arizona Local Exchange Carriers Association, filed February 5, 2010 ("ALECA Reply") at 2.

²⁶ See Staff Direct at 19.

1 of the ALECA members today. Nonetheless, ALECA proposes that the
2 Commission rely on such ancient information in two different ways. By
3 arguing that the members' switched access rates – set more than a decade
4 ago – are “presumed reasonable,” ALECA seeks to impose a new fee on
5 every user of telecommunications services in Arizona without having to
6 furnish any evidence as to the companies' current earnings to establish a
7 need for those revenues. That position simply is not credible given that
8 the Commission established this proceeding for the express purpose of
9 determining the appropriate level of switched access rates in Arizona.

10 The other dimension of ALECA's “presumed reasonable”
11 argument is that the Commission should continue to rely on obviously
12 outdated financial information as a basis for shielding the ALECA
13 member companies' local service rates from possible increases to recover
14 foregone switched access revenue. As I discuss below, this argument also
15 lacks merit.

16 **Q. ALECA PRESENTS SEVERAL ARGUMENTS AGAINST THE**
17 **USE OF A LOCAL RATE “BENCHMARK” TO DETERMINE**
18 **WHETHER ITS MEMBER COMPANIES COULD RECOVER**
19 **MORE OF THEIR COSTS FROM THEIR OWN END USERS. ARE**
20 **THESE ARGUMENTS CREDIBLE?**

21 A. No. In response to Verizon's discovery, ALECA cited to Rule R14-2-
22 1201(7), explaining that each of its member companies' “benchmark”
23 rates are “those rates approved by the Commission for that provider for

1 basic local exchange telephone service.”²⁷ As discussed above, given the
2 many developments in the communications market over the past ten years,
3 there is good reason for the Commission to question whether the ALECA
4 members’ local exchange rates – set more than a decade ago – are
5 reasonable today, particularly in light of ALECA’s proposal to create a
6 new financial obligation on all users of telecommunications services in
7 Arizona.

8 ALECA also argues that it would not be “fair” to compare its
9 members’ local service rates to a benchmark.²⁸ This argument rests on a
10 contrast between the calling scopes of the major metropolitan areas in
11 Arizona with the territories served by ALECA’s member companies.
12 ALECA concludes that because a customer’s local calling scope is “a
13 critical factor” in considering what local rate to charge, it would not be
14 “fair” for its members’ customers to pay rates that are equivalent to those
15 paid by Qwest’s end users.²⁹ This argument is backwards. In the context
16 of this proceeding, ALECA’s proposed dollar-for-dollar shift of revenue to
17 all Arizona telecommunications users is based in large part on
18 unsupported “high-cost” allegations. But ALECA never explains why it is
19 more “fair” to increase rates for customers in, for example, Winslow, than
20 to look to its own member companies’ customers in these supposedly

²⁷ See ALECA’s Response to Request 1-7 of Verizon’s First Set of Data Requests to ALECA, a true and correct copy of which is attached as part of **Exhibit DP-1**.

²⁸ See ALECA Reply at 7.

²⁹ See *id.*

1 “high cost” areas for additional financial support when at least some of its
2 members’ local rates are lower than Qwest’s.³⁰ Because the financial
3 bases for the ALECA members’ rates have not been examined in more
4 than a decade, and because of the very real burden that ALECA’s proposal
5 would impose on *all* Arizona communications users, the more “fair”
6 approach would be for the Commission to look first to those retail
7 customers in allegedly high-cost areas as the source for recovering any
8 foregone access revenues their service providers may incur.

9 For all the above reasons, I disagree with ALECA’s statement that
10 it “would be sound public policy”³¹ to create a new funding obligation on
11 Arizonans without any showing of need by the companies that would
12 benefit from such a program. The supposed “administrative burden” on
13 the ALECA members³² should be balanced with the financial burden that
14 ALECA’s proposal would impose on Arizona’s telecommunications
15 users.³³

16 **V. ALECA’S DISCUSSION OF “TECHNOLOGICAL**
17 **IMPROVEMENTS” IN RESPONSE TO RUCO’S TESTIMONY IS**
18 **MISLEADING AND IRRELEVANT TO ACCESS CHARGE**
19 **REFORM IN ARIZONA**

³⁰ See ALECA’s Response to Request 1-5(B) of Verizon’s First Set of Data Requests to ALECA, a true and correct copy of which is attached as part of **Exhibit DP-1**. These data indicate that at least four of the member companies charge monthly residential service rates below the \$12.91 “composite” rate calculated by ALECA.

³¹ See ALECA Reply at 3.

³² See *id.*

³³ As Staff noted, ALECA’s financial assertions are based on nothing more than “anecdotal evidence.” See Staff Direct at 19.

1 **Q. WHAT IS THE RELEVANCE OF ALECA'S DISCUSSION OF**
2 **"THE COSTS OF PLACING AERIAL AND BURIED CABLE AND**
3 **CONSTRUCTING OUTSIDE PLANT STRUCTURES?"³⁴**

4 A. As it relates to access rate reform, there is no relevance whatsoever.
5 ALECA's testimony apparently is in response to a broad statement by
6 RUCO's witness that technological improvements have lowered the cost
7 of certain communications technologies. ALECA responds by referring to
8 certain "outside plant" costs of the ALECA members, alleging that the
9 population densities in its members' service territories are lower than in
10 Qwest's service areas. Customer density may affect loop costs, but that
11 fact is, at best, misleading in discussing access rate reform. The cost of
12 the loop is simply *not* a cost of switched access. Consequently, whether
13 the ALECA members serve territories with lower customer density
14 relative to Qwest or some other provider has no bearing on the
15 reasonableness of their switched access service rates.

16 To its credit, ALECA does not attempt to directly link these
17 allegedly (but unproven) higher loop costs with its access rate
18 recommendation. Indirectly, however, ALECA's argument is intended to
19 provide support for its proposal that the AUSF be expanded to cover 100
20 percent of the revenues the ALECA members would forego through
21 access reform. Even assuming, for the sake of argument, that ALECA's
22 contention regarding higher loop costs is generally true, accepting such a
23 theoretical generality tells the Commission nothing about whether the

³⁴ See ALECA Reply at 10.

1 ALECA members' loop costs are – or are not – being fully recovered
2 today. To reach such a conclusion, the Commission would require
3 evidence of the ALECA members' costs and revenues; evidence that Staff
4 witness Mr. Shand observes has not been provided to the Commission for
5 more than a decade.

6 Also, ALECA's appeal for the Commission to accept claims of
7 high rural LEC costs as a basis for providing AUSF funding to offset
8 reduced access revenues would seem useful only to the extent that the
9 Commission wishes to reward those companies that can demonstrate the
10 highest cost. Such a regulatory framework would create perverse
11 incentives that reward firms for incurring higher costs.

12

13 **VI. ALECA'S REFERENCES TO THE NEW MEXICO FUND ARE**
14 **MISLEADING BECAUSE THAT FUND OPERATES VERY**
15 **DIFFERENTLY FROM WHAT ALECA IS PROPOSING HERE,**
16 **AND THEREFORE IS NOT "SIMILAR TO THE ALECA**
17 **PROPOSAL"**

18 **Q. WHY DOES THE OPERATION OF THE NEW MEXICO FUND**
19 **MAKE IT VERY DIFFERENT FROM WHAT ALECA IS**
20 **PROPOSING IN THIS PROCEEDING?**

21 A. The statute authorizing the New Mexico fund plainly states the objective
22 of the fund: to replace a portion, *but not all*, of the access revenues
23 foregone through reducing intrastate access rates. As the New Mexico
24 Commission stated in its July 2005 Notice of Proposed Rulemaking:³⁵

³⁵ *In the Matter of a Notice of Inquiry to Develop a Rule to Implement House Bill 776, Relating to Access Charge Reform*, New Mexico Public Regulation Commission Case No. 05-00211-UT, Notice of Proposed Rulemaking, July 28, 2005, at 2.

1 House Bill 776 follows the FCC model by reducing
2 intrastate access charges to the level of interstate access
3 charges and allowing recovery of lost access charge
4 revenue through a surcharge on intrastate retail
5 telecommunications services. House Bill 776 directs the
6 Commission to establish benchmark rates for local
7 residential and business services. NMSA 1978, § 63-9H-
8 6(D)(5). House Bill 776 does not require a LEC whose
9 local rates are below the benchmark rates to raise its local
10 rates to the benchmark rates. However, no LEC can
11 recover lost access charge revenue equal to revenues that
12 can be earned by increasing local rates to the benchmark
13 rates. See *id.*, § 63-9H-6(K). Thus, the Fund cannot be
14 used to subsidize local rates that are lower than the
15 benchmark rates. Any additional lost access charge
16 revenue not recovered by increasing local rates to the
17 benchmark rates may be recovered from the Fund, which is
18 funded through the surcharge. *See id.*
19

20 The New Mexico mechanism requires that both an ILEC's residential and
21 business local service rates be set at "benchmark" levels before any
22 consideration can be given to permitting the ILEC to draw from the state
23 fund. Because ALECA is on record in this proceeding as opposing *any*
24 local rate benchmark, and wants the fund here to serve as a complete
25 access revenue recovery mechanism, its claim that the New Mexico fund
26 is "very similar" to its proposals here is not true.
27

28 **VII. THE STAFF'S CRITICISM OF "PORTABILITY" OF AUSF**
29 **SUPPORT PROVIDES YET ANOTHER REASON FOR THE**
30 **COMMISSION TO REJECT PROPOSALS TO EXPAND THE**
31 **AUSF TO REPLACE THE ALECA MEMBERS' INTRASTATE**
32 **ACCESS REVENUES**

33 **Q. WHAT IS THE STAFF'S CRITICISM OF PORTABILITY OF**
34 **AUSF SUPPORT?**

1 A. Staff's testimony provides several responses to RUCO's "suggestion that
2 AUSF support be transferrable."³⁶ Importantly, Staff observes that:

3 [P]ortability from Staff's perspective means that as a
4 customer changes carriers, the support that follows the
5 customer to the new carrier would be offset by an
6 equivalent reduction in the support provided to the carrier
7 that loses the customer.³⁷
8

9 This highlights an irreconcilable conflict inherent in ALECA's proposal
10 for an expanded AUSF. The stated purpose for ALECA's proposed
11 expansion of the AUSF is to provide its members with a revenue
12 guarantee. That is, whatever revenues its members forego by lowering
13 access rates would be replaced, dollar for dollar, through an expanded
14 AUSF.³⁸ To be sure, providing one group of carriers in the state with such
15 a guarantee when other carriers have no such guarantee is not
16 competitively neutral. It is also wholly inappropriate to permit carriers
17 with significant pricing flexibility and no legacy obligations to draw from
18 a fund, as they have the freedom to recover from their own customers any
19 lost access revenues they elect not to absorb. To create the type of fund
20 envisioned by ALECA, the Commission would have to authorize an
21 explicitly discriminatory expansion of the existing AUSF.

³⁶ See Reply Testimony of Wilfred Shand, on behalf of the Arizona Corporation Commission (Utilities Division), filed February 5, 2010 ("Staff Reply") at 4.

³⁷ *Id.*

³⁸ The ALECA members proposed to use 2009 access revenues as the baseline, meaning those revenues would be "locked in" going forward, regardless of line loss going forward. See Direct Testimony of Douglas Duncan Meredith on behalf of the Arizona Local Exchange Carriers Association, filed December 1, 2009 ("ALECA Direct") at 8. Given recent trends, line loss seems a certainty, meaning that ALECA members would be more and more overcompensated with every passing year.

1 On the other hand, if the AUSF were expanded as proposed by
2 ALECA, but the funding were made portable (putting aside Staff's
3 legitimate concerns for the moment), the mechanism would not operate as
4 ALECA intends. That is, the fund would allow the support revenues
5 ALECA intends solely for its members to move to other carriers. When
6 another carrier wins a customer from an ALECA member, that carrier
7 would be entitled to the expanded AUSF support for the customer.³⁹ But
8 by diminishing the revenues available to the ALECA members, the
9 mechanism would not serve to guarantee their revenues.

10 ALECA's proposal to expand the AUSF to offset its members'
11 reduced access revenues presents an irreconcilable policy conflict. To
12 serve the purpose intended by ALECA, the expanded AUSF must be
13 explicitly discriminatory rather than competitively neutral. But if the
14 Commission were to give weight to the policy goal of "competitive
15 neutrality," this would require it to extend AUSF funding to CLECs, but
16 this would be inappropriate given the pricing flexibility that CLECs enjoy.
17 By definition, the expanded AUSF cannot serve the purpose intended by
18 ALECA – to serve as a replacement mechanism for its members' reduced
19 access revenues – because those revenues can be "competed away" by
20 other carriers.

21 This policy conflict represents yet another reason for the
22 Commission to reject proposals to expand the AUSF to serve as an access

³⁹ See Sprint Reply at 19.

1 revenue replacement mechanism for ALECA members. The Commission
2 can avoid such a conflict by granting additional retail pricing flexibility to
3 carriers so they can recover more of their network costs from their own
4 customers, rather than from other carriers and those carriers' customers
5 through excessive access rates, as discussed in both my Direct and Reply
6 testimony.

7

8 **VIII. OTHER ISSUES RAISED IN THE PARTIES' REPLY TESTIMONY**

9 **Q. DO YOU HAVE A RESPONSE TO THE JOINT CLECS'**
10 **DISCUSSION OF VERIZON'S REQUESTED STAY OF THE**
11 **RECENT NEW JERSEY ACCESS DECISION?**

12 A. Yes. The Joint CLECs' characterizations of that request are deceiving and
13 incorrect. The Joint CLECs state:

14 In other words, Verizon is saying that it would be
15 inappropriate for a commission to set CLEC access rates
16 below cost and expect CLECs to pass those rate reductions
17 onto its customers in the competitive retail market.⁴⁰

18

19 There are several errors in this sentence. First, the term "CLEC" never
20 appears in Verizon's petition, because the relief requested pertained solely
21 to Verizon New Jersey, an incumbent LEC whose residential basic
22 exchange rates are capped at below-cost levels. Second, Verizon's
23 petition neither states nor implies that the issue before the New Jersey
24 Board was the setting of access rates "below cost."⁴¹ Rather, Verizon's

⁴⁰ Jt. CLEC Reply at 28.

⁴¹ Verizon's petition was attached to the Joint CLECs' Reply testimony as Exhibit DD-1. Verizon New Jersey's complaint is clearly stated at p. 4 of the petition: "The Access Charge Order ... sets rates that do not provide Verizon NJ sufficient revenue to recover its costs and earn

1 objection to the Order is that the Board had refused to address Verizon's
2 factual showing that reducing Verizon's access rates, without providing
3 concurrent pricing flexibility for other rate-regulated services, would
4 exacerbate already huge losses on regulated services. There is no such
5 constitutional confiscation issue here, in the CLEC context. Indeed, in
6 New Jersey, Verizon's CLEC rates were also reduced and Verizon did not
7 challenge that portion of the order; Verizon's CLEC has already filed the
8 required tariffs reducing its switched access rates. My recommendations
9 here are entirely consistent with Verizon New Jersey's petition, as I urge
10 this Commission to provide carriers with increased pricing flexibility *in*
11 *this proceeding* for the express purpose of offsetting reductions in
12 intrastate access revenues, as necessary.

13 **Q. WHAT IS YOUR RESPONSE TO SPRINT'S DISCUSSION OF THE**
14 **ELEMENTS THAT SHOULD BE EXAMINED IN AN ILEC**
15 **FINANCIAL REVIEW?**⁴²

16 A. First, Verizon and Sprint agree that the Commission should not expand the
17 AUSF as a dollar-for-dollar mechanism to replace foregone access
18 revenues. As Sprint noted, such a result "simply chang[es] the way the
19 subsidies are collected from customers,"⁴³ and there is wide agreement
20 that an expansion of the AUSF for this purpose is a suboptimal economic

a return of and on its investment *with respect to rate-regulated services that it is compelled to provide*" (emphasis added).

⁴² See Sprint Reply at 15.

⁴³ See *id.*

1 solution to the problem of reforming access rates.⁴⁴ However, I disagree
2 with Sprint that the Commission “should consider costs and revenues of
3 all of the retail services provided on the [ILECs’] local network[s].”⁴⁵
4 While I am not an attorney, from a policy perspective it is beyond dispute
5 that some of the ILECs’ services are unregulated, while others are
6 jurisdictionally interstate. The scope of the Commission’s authority is a
7 matter for Verizon’s attorneys to address in briefs. That said, any effort
8 by the Commission to investigate costs and/or revenues of interstate and
9 unregulated services would raise serious practical issues. As Staff witness
10 Shand concluded, “the costs associated with these [non-jurisdictional]
11 services have been removed from the [ILECs’] intrastate revenue
12 requirements....”⁴⁶

13
14 **IX. CONCLUSION**

15 **Q. DOES THIS CONCLUDE YOUR REJOINDER TESTIMONY?**

16 **A. Yes.**

⁴⁴ See Verizon Reply at 26-27.

⁴⁵ See Sprint Reply at 15 (emphasis in original).

⁴⁶ See Staff Reply at 2.

Exhibit DP-1

Rejoinder Testimony of Don Price on behalf of Verizon

ACC Docket Nos. RT-00000H-97-0137/T-00000D-00-0672

March 5, 2010

ALECA Data Request Responses 1-5 and 1-7

**VERIZON'S FIRST SET OF DATA REQUESTS TO ALECA
DOCKET NOS. : RT-00000H-97-0137 and T-00000D-00-0672
RESPONSES OF ARIZONA LOCAL EXCHANGE CARRIERS ASSOCIATION
FEBRUARY 26, 2010**

VZ 1-5. Please provide all workpapers and other supporting documentation for the calculation of the figures set forth at page 6, line 20 through page 7, line 2 of the ALECA Reply.

Response: Aside from the cited cases, rules and statutes in Mr. Meredith's testimony, he relied on the following items (Referenced items that are publically available will not be provided):

1. Presumed reasonable standard is very common in the federal jurisdiction. See e.g., Local Competition First Report and Order, 11 FCC Rcd 16040-42, paras. 1085-89 and Further Notice of Proposed Rulemaking, FCC 04-96, CC Docket No. 02-53, April 14, 2004.
2. The ALECA Member Tariffs on file at the Corporation. Also, the Navajo Tariff and the Frontier White Mountains Tariff available at:

Navajo:

<http://carrier.frontiercorp.com/crtf/tariffs/index.cfm?fuseaction=access&stateID=AZ&scnID=7&companyID=188>

White Mtns:

<http://carrier.frontiercorp.com/crtf/tariffs/index.cfm?fuseaction=access&stateID=AZ&scnID=7&companyID=50>

3. The FCC MAG and CALLS Orders cited by Staff.
4. 47 CFR – Part 54, Subpart E - Universal Service Support for Low-Income Consumers.
5. 1Q:2010 USAC Table HC01 – Attached as 1-5-A.
6. 47 CFR – Part 54, Subpart J - Interstate Access Universal Service Support Mechanism.
7. Reply Testimony Workbook – Attached as 1-5-B.
8. ALECA Response to Staff Data Request 1-3.
9. Staff Testimony in proceeding.
10. ALECA Response to AT&T Data Request 3-2 and Attachment A labeled “ALECA-Task 1 Report”.
11. General economic concepts from various sources, e.g., Universal Service: Competition, Interconnection, and Monopoly in the Making of the American Telephone System, Milton L. Mueller, Jr. (1997) MIT Press, The Economics of Regulation: Principles and Institutions, Alfred E. Kahn (1995) MIT Press.
12. 47 CFR – Part 64, Subpart I - Allocation of Costs
13. Emails from ALECA members confirming Part 64 compliance – Attached as 1-5-C.

ALECA
Task 1 Report

Meredith Reply Testimony - Table 1: Residential Rate Information

Company Name	Residential Rate	Res. Lines
1 Citizens Utilities Rural Company (d/b/a Frontier Citizens Utilities Rural)	\$ 10.76	59,961
2 Citizens Telecommunications Company of the White Mountains (d/b/a Frontier Communications of the White Mountains)	\$ 16.10	24,592
3 Navajo Communications Company, Inc. (a Citizens company)	\$ 17.10	11,994
4 Midvale Telephone Exchange, Inc.	\$ 24.46	1,165
5 South Central Utah Telephone Association	\$ 12.06	845
6 Table Top Telephone Company, Inc.	\$13.55	3,127
7 Valley Telephone Cooperative	\$ 13.87	2,452
8 Copper Valley Telephone, Inc.	\$ 12.61	3,243
7+8 Valley Telephone and Copper Valley Telephone		
9 Arizona Telephone Company (TDS)	\$ 9.25	3,130
10 Southwestern Telephone Company (TDS)	\$ 11.25	3,200
11 Zona Communications	\$ 18.68	68
TOTAL ALECA USF SUPPORT	\$ 12.91	113,777

2007 YE Working Loop Total: _____

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Basic Local Service Charges (excluding federal SLC)	
<u>1. Residential</u>				
Single Line Residential	59,961	\$9.40	\$1.36	\$10.76
Weighted Average Residential	59,961	\$	10.76	

2007 YE Working Loop Total: _____

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Basic Local Service Charges (excluding federal SLC)	
<u>1. Residential</u>				
Single Line Residential	24,592	\$15.60	\$0.50	\$16.10
Weighted Average Residential	24,592	\$		16.10

2007 YE Working Loop Total: _____

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Basic Local Service Charges (excluding federal SLC)	
<u>1. Residential</u>				
Single Line Residential	11,994	\$15.90	\$1.20	\$17.10
Weighted Average				
Residential	11,994	\$		17.10

2007 YE Working Loop Total: _____

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Basic Local Service Charges (excluding federal SLC)		
<u>1. Residential</u>					
Single Line Residential	41	\$16.78	\$	0.20	\$16.98
Other: _FourLife Package_____	24	\$19.95	\$	0.20	\$20.15
Other: _Fulllife Package_____	3	\$29.95	\$	0.20	\$30.15
Weighted Average					
Residential	68	\$	18.68		

COMPANY NAME: VALLEY TELEPHONE COOPERATIVE, INC

2007 YE Working Loop Total: _____

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Service Charges (excluding federal SLC)	Basic Local
<u>1. Residential</u>				
Single Line Residential	2,294	\$13.75		\$13.75
Other: 575-557 EXCHANGE	150	\$15.28	\$	- \$15.28
Other: (Expanded Community Plan 8 c	8	\$ 15.28	\$	6.95 \$22.23
Weighted Average				
Residential	2,452	\$		13.87

COMPANY NAME:

COPPER VALLEY TELEPHONE COMPANY

2007 YE Working Loop Total:

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Service Charges (excluding federal SLC)	Basic Local
<u>1. Residential</u>				
Single Line Residential	2,410	\$12.40		\$12.40
Other: (EAS for 642 Exchange 829 cust.	829	\$12.40	\$	0.78 \$13.18
Other: (Expanded Community Plan 4 cust.	4	\$12.40	\$	6.95 \$19.35
Weighted Average				
Residential	3,243	\$		12.61

2007 YE Working Loop Total: _____

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Basic Local Service Charges (excluding federal SLC)
<u>1. Residential</u>			
Single Line Residential	3,127		\$13.55
Weighted Average			
Residential	3,127		\$13.55

Company Name:

Southwestern Telephone Company

2007 YE Working Loop Total:

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Basic Local Service Charges (excluding federal SLC)	
<u>1. Residential</u>				
Single Line Residential	3,197	\$11.25	\$	-
2-Party Residential Service	3	\$9.60	\$	-
Weighted Average				
Residential	3,200	\$	11.25	

Company Name:

Arizona Telephone Company

2007 YE Working Loop Total: _____

Class of Service Detail (Number of Working Loops and Tariff and other Mandatory charges)

	Working Loops YE 2007	Tariff Charge for Basic Local Service per month	Other Mandatory Basic Local Service Charges (excluding federal SLC)	
<u>1. Residential</u>				
Single Line Residential	3,126	\$9.25	\$	-
4-Party Residential Service	4	\$7.83	\$	-
Weighted Average				

**VERIZON'S FIRST SET OF DATA REQUESTS TO ALECA
DOCKET NOS. : RT-00000H-97-0137 and T-00000D-00-0672
RESPONSES OF ARIZONA LOCAL EXCHANGE CARRIERS ASSOCIATION
FEBRUARY 26, 2010**

VZ 1-7. Please provide a citation to the Arizona statute, or Arizona Corporation Commission rule or order, establishing the "affordable local benchmark as determined by the Commission," as referenced at page 9, lines 4-6 of the ALECA Reply.

Response: ACC Rule R14-2-1201(7) defines benchmark rates as follows: "Benchmark rates' for a telecommunications services provider are those rates approved by the Commission for that provider for basic local exchange telephone service, plus the Customer Access Line Charge approved by the Federal Communications Commission."