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BEFORE THE ARIZONA CORPORATIC



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KRISTIN K. MAYES - CHAIRMAN

4

GARY PIERCE

5

PAUL NEWMAN

6

SANDRA D. KENNEDY

7

BOB STUMP

8

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

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

Docket No. T-00000D-00-0672

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INITIAL BRIEF

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OF

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COX ARIZONA TELCOM, L.L.C.

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Arizona Corporation Commission

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Introduction

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2 The stated purpose of the evidentiary hearing in this docket is to “allow the Commission to
3 consider and make policy determinations that may give rise to a rulemaking process and/or carrier
4 specific proceedings.” September 29, 2009 Procedural Order (Docket Nos. RT-00000H-97-137,
5 T-00000D-00-0672) at 4. The parties have provided substantial information to the Commission to
6 assist in the stated purposes of the consolidated dockets: possible revisions to the Arizona
7 Universal Fund (“AUSF”) and the comprehensive examination of the cost of interexchange
8 switched access. *See id.* at 1. These dockets, and the recent evidentiary hearing, are not rate
9 proceedings nor has a notice of proposed rulemaking been issued. Moreover, there are many
10 potentially affected parties that were not formal parties to these generic dockets. The information
11 provided at the hearing does provide an overview of and basis for recommendations on how to
12 proceed on AUSF and access charge reform. However, before there are any changes to the AUSF
13 rules or to the access rates of specific Arizona telecommunications carriers, there must be
14 additional proceedings to meet legal and due process requirements.

15 Cox Arizona Telcom, LLC (“Cox”) believes it is premature and would be inefficient for
16 the Commission to take any further substantive steps regarding AUSF or access charge reform at
17 this time. The FCC has issued its National Broadband Plan (“NBP” or “Plan”), which will modify
18 the landscape of universal service funds and intercarrier compensation such as access charges.
19 The FCC has set a detailed schedule for this reform and is already moving forward with
20 rulemakings and other proceedings. Given the proposed scope of the FCC NBP, it does not make
21 sense for Arizona to devote resources to rulemakings or other proceedings that may be contrary to
22 or incompatible with the Plan and its resulting federal rules and programs. Indeed, given the due
23 process concerns implicated by any mandatory access charge reductions and the procedural
24 requirements of rulemakings, the Commission may end up chasing the FCC reform, rather than
25 getting ahead of the curve.

26 The record also does not contain any compelling need for access charge reform at this time.
27 The only immediate beneficiary of reduced intrastate access charge rates are IXCs, such as AT&T.

1 Access charge reductions result in reduced expenses that immediately drop to the IXCs' bottom
2 line. It is unclear if Arizona end-user customers would see any reductions in their intrastate long
3 distance charges or any other benefits from access charge reform. It does appear that there is
4 general consensus that LECs should have an opportunity to recover lost access charge revenues
5 from reduced access rates – either through the AUSF or increasing other rates. Either way,
6 consumers may pay more in other LEC rates or surcharges to support an expanded USF without
7 ever seeing any significant reduction in IXC intrastate long distance charges. Given the lack of
8 evidence of any reason to reduce existing, long standing access rates other than the bottom line of
9 IXCs at this time, the Commission should wait for the detailed transition plans signaled by the
10 FCC to appear, then consider proceedings to synchronize Arizona's USF and intrastate access
11 charge rate structures with those plans.

12 Should the Commission press forward with these dockets, there are both procedural and
13 substantive issues that should shape subsequent proceedings. First, any reduction of existing
14 intrastate access charge rates requires proper due process. All affected parties need sufficient
15 opportunity to be heard to ensure that the reduction in rates is not confiscatory or illegal. A
16 rulemaking that sets a default rate may be sufficient, provided that each affected carrier has the
17 opportunity to prove that its intrastate access rate should be higher than the default rate. Providing
18 such an opportunity reduces the arbitrariness of simply setting each carrier's rate based on the
19 ILEC rate.

20 Second, any mandatory reductions to access rates should be implemented over time, as
21 opposed to an immediate flash cut to the final mandated rate. This "glide path" will provide
22 affected parties the opportunity to modify business plans, to meet legal obligations (such as long
23 term contracts) and to develop replacement revenue sources. For example, CLECs may need an
24 opportunity to increase the maximum rates in their tariffs for other services to compensate for
25 reduced access revenue.

26 Third, it will be difficult for the Commission to ensure that any reductions to access charge
27 rates will actually benefit end user customers. Yet those customers may see an end to the benefits

1 arising from the current access charge structure. Without such assurances, access charge reform
2 will simply provide a direct and immediate windfall financial benefit to IXC's for the foreseeable
3 future.

4 Fourth, any modifications to the funding mechanism underlying the AUSF must ensure that
5 no carrier class or customer class is being inequitably burdened.

6 Finally, Cox submits that, to the extent that the Commission presses forward with access
7 charge reform, the initial phase should address the rural ILECs.

8 **I. Access Charge Reform in Arizona is Premature and Unnecessary.**

9 **A. National Broadband Plan.**

10 On March 16, 2010, the FCC issued its National Broadband Plan. The Plan reflects a
11 potential sea change on many of the basic elements of communications in the United States. The
12 FCC is moving forward to create incentives for universal availability and adoption of broadband.¹
13 The Plan contemplates significant changes to federal USF programs in order to focus on
14 broadband support.² A key element of this aspect of the NBP is intercarrier compensation reform.³
15 The Plan sets forth several recommendations directed at intercarrier compensation, *including*
16 intrastate switched access rates. For example:

- 17 1. In Stage One (2010-11), the FCC "should adopt a framework for long-term
18 intercarrier compensation (ICC) reform that creates a glide path to eliminate per-
19 minute charges while providing carriers an opportunity for adequate cost recovery,
20 and establish interim solutions to address arbitrage."⁴ This national framework
21 includes the reduction of *intrastate* terminating switched access rates to interstate
22 terminating switched access rate levels "in equal increments over a period of two to
23 four years."⁵

25 ¹ NBP at xiii; NBP, Chap. 8.

26 ² NBP, Chap. 8.3.

26 ³ NBP at 142.

26 ⁴ NBP at 148 (Recommendation 8.7)

27 ⁵ NBP at 148.

1 2. In Stage Two (2012-16), the FCC “should begin a staged transition of reducing per-
2 minute rates for intercarrier compensation.”⁶ Under this Recommendation, the
3 FCC intends to begin the actual reduction of *intrastate* switched access rates to
4 interstate levels in equal increments over a period of time.

5 3. In Stage Three (2017-20), the FCC will complete “phasing out per-minute rates for
6 the origination and termination of telecommunications traffic.”⁷

7 The FCC also intends to transition all high-cost universal support to broadband support
8 under its Connect America Fund.⁸ If the FCC is pressing for increased broadband deployment to
9 support the new paradigm of telecommunications, it makes little sense for the Commission to
10 reform the AUSF to increase funding for outdated legacy switched service.

11 Finally, the FCC is moving forward rapidly in implementing the recommendations of the
12 Plan. Indeed, the most recent FCC Key Broadband Action Agenda Items indicates that Notices of
13 Proposed Rulemakings will be issued in the Fourth Quarter of 2010 for Intercarrier Compensation,
14 USF Transformation and USF Contributions.⁹

15 **B. Lack of Compelling Need for Immediate Arizona-Specific Reform.**

16 The record here does not provide any compelling reason to expend scarce Commission
17 resources in addressing access charge reform at this time. The IXC’s assert that reduced access
18 charges will eventually lead to reduced intrastate long distance rates. However, even the IXC’s
19 acknowledge that it will take some period of time before access charge reductions are reflected in
20 those rates.¹⁰ Moreover, given the due process requirements and the nature of rulemaking, the
21 ACC is unlikely to be able to require reductions in access in an earlier timeframe than the FCC is
22 currently pursuing under the NBP. Thus, any specific access charge reform required by this
23 Commission likely would lag the FCC-mandated access charge reductions. And any consumer
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25 ⁶ NBP at 149 (Recommendation 8.11).

26 ⁷ NBP at 150 (Recommendation 8.14).

27 ⁸ NBP at 140-42.

⁹ A copy of the Proposed 2010 Key Broadband Action Agenda Items is attached at Appendix A.

¹⁰ Tr. (Aron) at 298-99.

1 benefits from this Commission's actions would trail even further behind.

2 It is also doubtful whether a reduction in access charges would have any material beneficial
3 impact on Arizona consumers. There has already been a shift in consumer behavior to other forms
4 of communication such as wireless and/or VoIP technology and access lines and minutes of use
5 are declining.¹¹ Access charges historically have been used to maintain the overall cost of the
6 carriers' network.¹² Because of the migration toward other communication methods, there are now
7 fewer customers to cover the cost of the network.¹³ As a result, the remaining consumers will
8 ultimately pay higher rates in order for LECs to adequately maintain their networks – even without
9 any access charge reductions. Reducing access charges will only exacerbate the dilemma of
10 maintaining a competitive network.¹⁴ Although reductions in access revenue for price cap ILECs
11 and CLECs can be mitigated by a combination of increases in FCC-authorized Subscriber Line
12 Charge (“SLC”) and other end user rates,¹⁵ consumers will end up paying more while IXCs reap
13 the benefits of the access charge reductions.

14 However, the mitigation of revenue will result in increased customer costs without any
15 guarantee that the IXCs will pass through the corresponding access charge reductions. As noted
16 above, the IXCs acknowledge that it will take some time before the reduced access charges begin
17 to be reflected in retail long distance rates given the current pricing structure and other factors.
18 And the IXCs have resisted any requirement to provide proof of the pass-through.

19 **C. Potential Inconsistent or Contrary Results.**

20 It is questionable public policy to implement access reform at the state level in isolation
21 without a national federal reform framework – particularly when that national framework is being
22 developed. One of the most pressing problems in intercarrier compensation is the active arbitrage
23 by some carriers between interstate access, intrastate access and reciprocal compensation.¹⁶ Only

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25 ¹¹ Ex. Cox-1 (Garrett Direct) at 4.

¹² Ex. Cox-1 (Garrett Direct) at 4.

¹³ Ex. Cox-1 (Garrett Direct) at 4.

¹⁴ Ex. Cox-1 (Garrett Direct) at 4.

¹⁵ Ex. Cox-1 (Garrett Direct) at 4.

¹⁶ Ex. Cox-1 (Garrett Direct) at 5.

1 by rationalizing rates under a national framework can this arbitrage be curtailed over time.¹⁷
2 Changing rates in one jurisdiction will likely have no effect on the rates Arizona consumers pay,
3 and will only serve to encourage the arbitrageurs to shift strategy to account for any lower rates
4 available.¹⁸

5 Moreover, the direction the FCC has set through the NBP for interstate access charges,
6 intercarrier compensation, subscriber line charges and forward-looking federal USF support will
7 swamp any state specific attempts to reform the system piecemeal.¹⁹ This type of reform cannot be
8 successful on a state-by-state basis, especially with the development of new forms of competition
9 (e.g.VoIP) and the growing breakdown of traditional jurisdictional lines that used to neatly
10 determine the jurisdiction of a call using telephone numbers.²⁰ The now widespread practice of
11 assigning telephone numbers to consumers from their choice of area codes, rather than the
12 available codes where they live or work is but one example of why state-specific reform is bound
13 to be frustrated outside of a national restructuring of intercarrier compensation and universal
14 service support.²¹

15 By conducting a state specific docket, the Commission risks adopting a plan that does not
16 parallel the federal scheme, resulting with the expense of time and resources by the parties that
17 will ultimately have to go back and modify any adopted state plan to mirror the federal framework.
18 This does not appear to be the best use of scarce resources of the participants, including
19 Commission staff, at this time.

20 **II. Procedural Issues Regarding Access Charge Reform.**

21 Assuming the Commission presses forward in the face of the ongoing and active federal
22 reform process, there are due process and legal requirements that must be met before access
23 charges can be reduced. The professed goal of intrastate access charge reform is to *reduce* the
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25 ¹⁷ Ex. Cox-1 (Garrett Direct) at 5.

26 ¹⁸ Ex. Cox-1 (Garrett Direct) at 5.

27 ¹⁹ Ex. Cox-1 (Garrett Direct) at 6.

²⁰ Ex. Cox-1 (Garrett Direct) at 6.

²¹ Ex. Cox-1 (Garrett Direct) at 6.

1 current intrastate access charge rates. At a minimum, the Commission should provide all affected
2 carriers appropriate notice and opportunity to be heard if it is going to reduce the carriers'
3 intrastate access charges. It also needs to ensure that new access charge rates are not confiscatory
4 for a particular carrier. These generic dockets are an insufficient process for actually reducing
5 rates.

6 **A. Reduction of Rates Requires Certain Process and Procedures.**

7 Arizona courts have held that, while a rate decision is legislative in nature, "the process
8 and procedures through which the Commission gathers and considers information or evidence
9 leading to that decision through its hearings is quasi-judicial in character, and cannot be analogized
10 to the legislative process" *See State ex. rel. Corbin v. Ariz. Corp. Comm'n*, 143 Ariz. 219,
11 223-24, 693 P.2d 362, 366-67 (App. 1984). The courts have further acknowledged that utilities
12 must be afforded due process protections when a ratemaking body determines the utility's rates.
13 *See Residential Utility Consumer Office v. Ariz. Corp. Comm'n*, 199 Ariz. 588, 593, 20 P.3d 1169,
14 1174 (App. 2001); *Simms v. Round Valley Light & Power Co.*, 80 Ariz. 145, 149, 294 P.2d 378,
15 380 (1956).

16 The reduction of a regulated carrier's access charge rate is a ratemaking decision. If the
17 Commission intends to reduce access charge rates, an Arizona utility must have a full opportunity
18 to prove that the new rate is unjust, unreasonable or confiscatory. Moreover, a simple rulemaking
19 proceeding to address access charge reductions may not satisfy the Constitutional requirements
20 unless affected parties have an opportunity to seek a hearing on its specific circumstances.

21 **B. Notice and Opportunity to be Heard for Affected Parties.**

22 Access charge reform ultimately is intended to impact all carriers in Arizona that charge for
23 intrastate switched access. If the Commission intends to reduce all intrastate access charge rates, it
24 must provide clear notice to all affected parties as to what those reductions will be. Here, the
25 Commission is only "investigating" the cost of telecommunications access. Indeed, the stated
26 purpose of this phase of the docket is to "allow the Commission to consider and make policy
27 determinations that may give rise to a rulemaking process and/or carrier specific proceedings."

1 September 29, 2009 Procedural Order (Docket Nos. RT-00000H-97-137, T-00000D-00-0672) at 4.
2 Access charges cannot be reduced in these dockets – certainly not at this point. Not all of
3 the affected carriers are parties to the generic, investigatory docket on access charges. At this
4 point, the Commission has not set forth a specific proposal for intrastate access charges. Once the
5 Commission has decided how to proceed on access charge reform, it can provide notice to all
6 affected carriers. A rulemaking may satisfy this notice and opportunity to be heard, provided other
7 due process and constitutional requirements are satisfied by the proposed rules, as addressed
8 above.

9 **III. Appropriate Policies for Access Charge Reform.**

10 Assuming the Commission presses forward in the face of the ongoing federal reform
11 process, there are certain key elements that should shape any specific access charge reform. The
12 Commission should direct that subsequent rule makings or other proceedings incorporate these
13 elements.

14 **A. Transition Period for New Rates.**

15 Any access charge reform requires a transition period before new rates become effective.
16 The length of the transition is dependent on the scope of any reduction in the access charge rates.
17 Carriers need sufficient time to modify business plans, meet existing contractual obligations and
18 replace lost revenues.²² Indeed, the FCC provided for a transition period when it capped CLEC
19 interstate access rates and other states have included transition periods in adopting intrastate access
20 reform.²³ The NBP includes a transitional “glide path” for its intrastate access charge reform as
21 well.²⁴

22 **B. Opportunity to Prove Rates for Specific Carrier.**

23 Should the Commission propose reducing CLEC intrastate access charge rates to Qwest’s
24 intrastate access charge rate (or to some other default rate), each CLEC should have an opportunity
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26 ²² Ex. Cox-2 (Garrett Reply) at 4.

27 ²³ Ex. Cox-2 (Garrett Reply) at 4.

²⁴ NBP at 148-150

1 to prove a different intrastate rate is appropriate for that CLEC based on its specific circumstances.
2 Different carriers have different network facilities and operations. A mandatory default rate based
3 on Qwest's rate is arbitrary and may be confiscatory. To avoid such potential flaws, the
4 Commission should provide a process for any CLEC that does not want to use the default or
5 capped intrastate access rate. However, this process should be sufficiently streamlined to avoid
6 extended, resource intensive proceedings that are not practical for many CLECs.

7 One option would be a process by which CLECs could obtain intrastate access rates that
8 vary in structure and that could be set at a reasonable level above the ILEC's rate. For example,
9 the California Public Utilities Commission adopted a CLEC intrastate access rate cap at the ILEC
10 rate + 10%, with a transition plan of more than one year to reach that rate (see CPUC D07-12-020,
11 adopted December 10, 2007).²⁵ Although Staff offers up the potential for a carrier to file
12 information demonstrating that it experiences higher costs of providing switch access services than
13 the ILEC in hope of getting a higher rate,²⁶ that option would be a resource intensive and lengthy
14 option that is not practical for many CLECs.²⁷ However, setting a cap with flexibility to establish
15 rates modestly above the ILEC would recognize the differences in CLEC networks and costs,
16 while avoiding the costly and likely contentious examination of individual CLEC costs. Allowing
17 modes of rate variation could also reduce the effect of switched access reform on retail rates paid
18 by Arizona consumers.

19 **C. Opportunity to Replace Lost Revenue.**

20 CLECs such as Cox have made substantial investments in Arizona to provide sustainable
21 facilities-based competition that has brought tremendous benefits to Arizona consumers in both
22 choice and quality of services, and reduced rates due to vigorous competition.²⁸ Access revenues
23 are an important part of CLEC business plans and caution needs to be exercised to ensure that a
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25 ²⁵ Ex. Cox-2 (Garrett Reply) at 6.

26 ²⁶ Ex. S-1 (Shand Direct) at 11.

27 ²⁷ Ex. Cox-2 (Garrett Reply) at 6.

28 ²⁸ Ex. Cox-2 (Garrett Reply) at 6.

1 viable CLEC market continues.²⁹

2 Given the importance of access charge revenues on CLEC business plans, access charge
3 reform also should be designed to facilitate the opportunity to increase other sources of revenues.
4 Reductions in access revenue for CLECs may be mitigated by a combination of increases in FCC-
5 authorized Subscriber Line Charge ("SLC"), impositions of a state SLC or increases in other end
6 user rates.³⁰

7 Presently, there are hurdles that prevent CLECs from simply raising retail rates, even
8 beyond the competitive restrictions.³¹ For example, Cox's rates in its tariffs are essentially
9 "capped" at this time because they are at (or close to) the maximum rates established in the
10 tariffs.³² Although Cox *in theory* has the flexibility to raise rates up to the allowable maximum
11 rates without future Commission action, Cox is already charging the maximum rate for many of
12 Cox's services.³³ It has been Cox's experience that raising maximum rates in its tariff is often a
13 slow and difficult process.³⁴ This process suggests the need for both a transition period and for
14 some allowance for increasing maximum rates in a timely manner. A provision in any type of
15 access reform must permit carriers like Cox to increase the maximum rates currently in its
16 approved tariff should any mandated reduction in intrastate access be approved, at least to levels
17 necessary to recover the lost revenues.

18 Finally, to the extent that the AUSF rules are amended to provide a source of replacement
19 revenues for lost access charge revenues, any access charge reductions should not be imposed until
20 the AUSF rulemaking is completed. Without proper timing, there will be a gap between lost
21 access charge revenues and the availability of replacement revenues under the AUSF.

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25 ²⁹ Ex. Cox-2 (Garrett Reply) at 6.
26 ³⁰ Ex. Cox-1 (Garrett Direct) at 4, 9.
27 ³¹ Ex. Cox-2 (Garrett Reply) at 5.
³² Ex. Cox-2 (Garrett Reply) at 5.
³³ Ex. Cox-2 (Garrett Reply) at 5.
³⁴ Ex. Cox-2 (Garrett Reply) at 5.

1 **D. Ensure Access Charge Reductions Benefit Customers.**

2 Access charge reform is meaningless unless there is a clear benefit to end user customers.
3 The current intrastate access charge paradigm has provided significant revenues to support
4 competition and expanded infrastructure in Arizona.³⁵ If those benefits are to be diminished, then
5 there must be other, comparable benefits from access charge reform. Moreover, given that carriers
6 should have an opportunity to replace any lost access revenues, it is critical that end users
7 customers receive benefit from access charge reform. If not, then end user customers may end up
8 paying more as a result of the reform and the IXC's will enjoy a windfall from their reduced
9 expenses.

10 The record in this case raises significant concerns over whether the Commission will be
11 able to ensure that access charge reform will benefit consumers. Even the IXC's acknowledge that
12 intrastate access charge reductions will not be immediately passed through to consumers.³⁶ The
13 IXC's are also fairly cryptic as to how and when (if ever) all Arizona consumers will see material
14 benefits from access charge reform.³⁷ AT&T further explains that any monitoring of their decision
15 to pass through access charge reductions to their customers would be very difficult – if not
16 impossible, or at least impractical and potentially ineffective.³⁸ As a result, access charge reform
17 is not likely in the public interest, particularly given the benefits that have resulted from the current
18 intrastate access charge structure.

19 **E. Address Rural LEC Access Rates First.**

20 Any access reform is necessarily complicated. It is further complicated if the Commission
21 attempts to reform rates for disparate groups with significantly different circumstances. In order to
22 be effective, any plan that addresses access reform should cover all carriers eventually. However,
23 the Commission should address rural ILECs first and then address large ILECs and CLECs in a
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25 ³⁵ Ex. Cox-1 (Garrett Direct) at 4; Ex. Cox-2 (Garrett Reply) at 6.

26 ³⁶ Tr. (Aron) at 298-99.

27 ³⁷ See, e.g., Tr. (Aron) at 299-301 (discussing how ATT will reduce "connection fee" for some consumers).

³⁸ See Tr. (Aron) at 301-03.

1 later stage of this proceeding. Rural carriers have stated that they are under the most pressure from
2 loss of current intrastate access revenues, and thus addressing this segment first would prioritize
3 the timing of those concerns over other carriers and be a more beneficial use of Commission
4 resources. Moreover, many of the rural carriers who are party to these proceedings are looking at
5 recovering some lost access revenue from the AUSF. These issues must be analyzed by the
6 Commission to ensure that carriers are not over burdening the AUSF and that surcharges remain
7 fair and affordable for Arizona telephone subscribers. The appropriate way to address these
8 complex issues is to look at the rural ILECs first by reviewing their rate structures to ensure that
9 rate re-balancing results in relief for the rural carriers on access revenue, but does not un-duly
10 enlarge the AUSF to the point where surcharges paid by non-rural telephone subscribers becomes
11 an unfair burden. Indeed, the reform issues for rural ILECs, including the interplay with the
12 AUSF, was the focus of Commission Staff's testimony.³⁹

13 Rural providers have different issues and concerns than CLECs and mixing the two may
14 delay appropriate reform for rural access charges. Any rulemaking could provide shorter timelines
15 for rural carriers than for CLECs.

16 **F. Carriers should be permitted to contract for access rates that differ from their**
17 **tariffed rates.**

18 Carriers should be able to contract for access rates that differ from their tariffed rates if the
19 carrier's tariff contemplates such arrangements. Cox's Arizona access tariff (Section 6.1) contains
20 such a clause.⁴⁰ As long as there is no unreasonable discrimination between similarly situated
21 access customers of a given carrier, this practice should continue to be permitted. Cox does not
22 oppose Staff's recommendation that future switched access service agreements with IXC's or other
23 providers should be filed at the Commission. However, additional clarity surrounding the
24 confidentiality of certain sensitive information in any agreements is needed. If such agreements
25 must be filed, the carrier should be allowed to redact customer information and the actual dollar

26 ³⁹ See Ex. S-1 (Shand Direct).

27 ⁴⁰ Ex. Cox-1 (Garrett Direct) at 8.

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 amounts of the contract, as well as any specific service addresses and any non-jurisdictional
2 services that may be included in the agreement. The essential terms of such agreements can be
3 filed publicly to ensure no unreasonable discrimination among similarly situated customers, thus
4 allowing a similarly situated provider to learn of the existence of agreements.

5 **IV. Appropriate Policies for AUSF Reform.**

6 The Commission should carefully weigh the consequences, both for Arizona consumers
7 and for telephone competition in the state of adjusting access rates down for all carriers, yet
8 allowing only some classes of carrier to recover "lost" revenue from the Arizona Universal Service
9 Fund. Such an approach will inevitably distort competition, and risks considerably higher USF
10 surcharges paid by Arizona consumers in return for little or no reduction in long distance charges
11 by IXCs.⁴¹ Any modification to the methodology for funding the AUSF also must be reviewed
12 carefully to ensure that no particular class of customers or carriers is bearing an undue burden, and
13 the Commission should provide appropriate notice and opportunities for affected parties and
14 customers to make known their proposals and rationale for any modifications, as well as have
15 opportunity to respond to the specific proposals of others. Equitable allocation of AUSF costs is a
16 key element to any AUSF reform.

17 **Conclusion**

18 Cox believes it is both premature and unnecessary for the Commission to expend further
19 resources on intrastate access charge reform in light of the ongoing FCC activity regarding
20 intercarrier compensation and universal service.

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27 ⁴¹ Ex. Cox-1 (Garrett Direct) at 5.

ROSHKA DE WULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 RESPECTFULLY SUBMITTED this 9th day of July 2010.

2 **COX ARIZONA TELCOM, LLC**

3
4 By 

5 Michael W. Patten
6 Roshka DeWulf & Patten, PLC
7 One Arizona Center
8 400 East Van Buren Street, Suite 800
9 Phoenix, Arizona 85004
10 (602) 256-6100

11 **ORIGINAL and 15 COPIES** of the
12 foregoing filed this 9th day of
13 July 2010 with:

14 Docket Control
15 ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 **COPIES** of the foregoing mailed and/or
19 emailed this 9th day of July 2010 to:

20 Dan Pozefsky
21 Residential Utilities Consumer Office
22 1110 West Washington, Suite 220
23 Phoenix, Arizona 85007
24 dpozefsky@azruco.gov

25 Norm Curtright
26 Qwest Corporation
27 20 East Thomas Road, 16th Floor
Phoenix, Arizona 85012
Norm.curtright@qwest.com

Reed Peterson
Qwest Corporation
20 East Thomas Road
16th Floor
Phoenix, Arizona 85012
reed.peterson@qwest.com

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

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

Isabelle Salgado
AT&T Nevada
645 E. Plumb Lane, B132
P.O. Box 11010
Reno, NV 89520
dan.foley@att.com
gcl831@att.com

1 Joan S. Burke
2 Law Office of Joan S. Burke
3 1650 North First Avenue
4 Phoenix, Arizona 85003
5 joan@jsburkelaw.com
6
7 Lyndall Nipps
8 Vice President, Regulatory
9 Time Warner Telcom
10 845 Camino Sur
11 Palm Springs , CA 92262
12 Lyndall.Nipps@twtelecom.com
13
14 Dennis D. Ahlers
15 Associate General Counsel
16 Eschelon Telecom, Inc.
17 6160 Golden Hills Drive
18 Golden Valley, MN 55416
19 ddahlers@integratelecom.com
20
21 Thomas Campbell
22 Michael Hallam
23 Lewis and Roca LLP
24 40 North Central
25 Phoenix , Arizona 85004
26 tcampbell@lrlaw.com
27 mhallam@lrlaw.com
28
29 Rex Knowles
30 Executive Director — Regulatory
31 XO Communications, Suite 1000
32 111 E. Broadway
33 Salt Lake City, UT 84111
34 Rex.knowles@xo.com
35
36 Charles H. Carrathers, III
37 General Counsel, South Central Region
38 Verizon, Inc.
39 HQE03H52
40 600 Hidden Ridge
41 Irving, Texas 75015-2092
42 chuck.carrathers@verizon.com
43
44

Thomas W. Bade, President
Arizona Dialtone, Inc.
717 W. Oakland St.
Chandler, Arizona 85226
Tombade@arizonadialtone.com

Karen E. Nally
Law Office of Karen E. Nally
3420 East Shea Blvd
Phoenix, Arizona 85028
knallylaw@cox.net

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

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

William A. Haas
Deputy General Counsel
PAETEC Business Services
1 Martha's Way
Hiawatha, Iowa 52233
william.haas@paetec.com

Scott Wakefield
Ridenour Hienton & Lewis
201 North Central Avenue, Ste 3300
Phoenix, Arizona 85004

Jane Rodda, Esq.
Administrative Law Judge, Hearing Division
Arizona Corporation Commission
400 West Congress
Tucson, Arizona 85701

ROSHKA DE WULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

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Ms. Janice Alward, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

By *Mary Appolito*

APPENDIX

"A"

Proposed 2010 Key Broadband Action Agenda Items*

	Q2 2010 (CY)	Q3 2010 (CY)	Q4 2010 (CY)
Promote World-Leading Mobile Broadband Infrastructure and Innovation	Mobile Roaming Order and FNPRM (WTB)	AWS Bands Analysis (WTB, OET)	AWS Potential Order (WTB, OET)
	D Block Order/NPRM (WTB, PSHSB) [Also in Public Safety]		Secondary Markets Internal Review (WTB)
	Launch Strategic Spectrum Plan and Triennial Assessment (WTB, OET, OSP)	Spectrum Sharing/Wireless Backhaul NPRM/NOI (WTB, OET)	Spectrum Dashboard 2.0 (WTB, OET, PSHSB, MB, IB)
	2.3 GHz WCS/SDARS Order (OET, WTB, IB)	Oppor. Use of Spectrum NPRM (OET, WTB, IB, MB, PSHSB)	Recommendation re: Contiguous Unlicensed Spectrum Proceeding (OET, WTB)
		TV White Spaces Opinion & Order (OET, MB, WTB)	Experimental Licensing NPRM (OET)
		MSS NPRM (OET, IB, WTB)	
		Broadcast TV Spectrum Innovation NPRM (OET, MB, WTB)	
			Mobility Fund NPRM (WTB, WCB)
		USF Reform NPRM and NOI (WCB, WTB)	Spectrum on Tribal Lands NPRM (WTB, CGB)
		Lifeline/Low-Income Joint Board Referral Order (WCB, WTB)	
Accelerate Universal Broadband Access and Adoption	E-Rate FY2011 NPRM (WCB)	E-Rate FY2011 Order (WCB)	
	USF Merger Commitments Order (WCB, WTB)	Rural Health Care Reform NPRM (WCB)	USF Transformation NPRM (WCB, WTB)
	Lifeline Pilot Roundtable (WCB, WTB)	Lifeline Flexibility NPRM (WCB, WTB)	Intercarrier Compensation NPRM (WCB, WTB)
	FCC/FDA Workshop and PN on Converged Devices (OET)	Establish Accessibility and Innovation Forum (GGB, WCB, WTB)	USF Contributions NPRM (WCB, WTB)
	Launch FCC Office of Native American Affairs (CGB)	Real-Time Text NOI (GGB, WCB, WTB, OET)	Real-Time Text NPRM (GGB, WCB, WTB, OET)
	FCC-Native Nations Broadband Task Force (CGB)		Internet Video and Device Accessibility NOI (GGB, WCB, WTB, MB)
		Interconnection Clarification Order (WCB)	
		Rights-of-Way Task Force (CGB, WCB)	Small Business Broadband & Wholesale Comp. NOI (WCB)
		Special Access Workshop (WCB, WTB, OSP)	Special Access NPRM (WCB, WTB, OSP)
			Smart Video Devices NPRM (MB, OET)
Foster Competition and Maximize Consumer Benefits Across the Broadband Ecosystem	Mobile Wireless Competition Report (WTB, OSP)		
	Pole Attachments Order and FNPRM (WCB)		
	Small Business Broadband & Wholesale Comp. PN (WCB)		
	CableCARD NPRM (MB, OET)		
	Smart Video Devices NOI (MB, OET)		
	Launch Tech. Adv. Grp. on Speed & Perf. (CGB, OET, WCB)		
	Launch Speed and Performance Measurement Program (CGB, WTB, WCB, OET)		
		Transparency & Disclosure NPRM (GGB, WCB, WTB, OET)	
		Broadband Data NPRM (WCB, WTB, OSP)	
			Smart Video Devices NPRM (MB, OET)
Advance Robust and Secure Public Safety Communications Networks	Public Safety Roaming & Priority Access NPRM (WTB, PSHSB)		
	D Block Order/NPRM (WTB, PSHSB) [Also in Mobile]		
	700 MHz Waiver Petitions (PSHSB, WTB, OET)		
	ERIC Public Safety Interoperability Order (PSHSB)		
	Cybersecurity Certification NOI (PSHSB, WTB, OET, WCB)		
	Survivability NOI (PSHSB, OET, WTB, WCB)		
	Serv. Outage & Homeland Security Workshop (PSHSB, OET, WCB, WTB, IB)		

Wireless Telecommunications Bureau (WTB)
 Office of Engineering and Technology (OET)
 Media Bureau (MB)
 Consumer & Governmental Affairs Bureau (CGB)
 Public Safety & Homeland Security Bureau (PSHSB)

* This document reflects only proposed FCC actions, not those of other government agencies, and is not exhaustive of all 2010 FCC actions. The location and timing of actions in this document represents a series of targets that may be adjusted to respond to changing conditions as appropriate; items that span quarters are expected to occur late in the earlier quarter, or early in the later quarter. Does not include initiatives discussed in Agenda from Q1 2010 and earlier (E-rate Community Use Order, Rural Health Care Pilot Program Extension Order, Spectrum Dashboard Beta, and Tower Siting Declaratory Ruling).