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Commissioner  
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Commissioner

Arizona Corporation Commission

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AZ CORP COMMISSION  
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**IN THE MATTER OF THE  
GENERIC INVESTIGATION OF  
PROPOSED RULES FOR EXTENDED  
AREA SERVICE**

)  
) Docket No. RT-00000J-02-0251  
)  
) AT&T'S COMMENTS  
)

AT&T Communications of the Mountain States, Inc., files its comments in response to the Staff's request for comments dated June 7, 2002.

**COMMENTS**

AT&T generally is opposed to Extended Area Service ("EAS") for a number of reasons. AT&T does not support the Arizona Corporation Commission adopting a rule on EAS, as it would only send a message that the Commission favors the expansion of EAS. AT&T feels the present policy of addressing EAS on a case-by-case basis in rate cases should be maintained.

EAS, alternatively known as Expanded Area Service, Circle Calling, Regional Calling, or Area Calling Plan, is prevalent throughout the United States and has been implemented for a variety of reasons. Although originally designed to address customer concerns regarding toll rates charged for calls to nearby exchanges where a strong community of interest existed, many plans have no such relevance.

Typically, EAS plans reduce or eliminate intrastate toll rates for neighboring local exchanges or short-haul mileage bands, often to levels that are substantially below the access rates that are charged to carriers that might otherwise compete for this traffic. EAS rates may be a flat rate or a measured rate. EAS calling plans may be optional or non-optional. Generally, a non-optional plan expands the area to which all customers in a given exchange can make flat-rated calls. Optional plans usually have measured rates and are similar to toll discount plans.

One should also be aware, that while clothed in public interest, these plans have often times been a strategy used by incumbent local exchange carriers ("LECs") to protect intraLATA toll traffic from competitive entry, thus hindering consumer choice -- the very condition the Telecommunications Act of 1996 is supposed to correct. High cost rural areas are especially vulnerable to the pernicious effects of anticompetitive policies where EAS plans are priced below the local exchange carriers' costs (including both the tariffed access rates and appropriate non-access costs) of providing the service. EAS, taken to an extreme, portends the elimination of the toll carriers, hence consumer choice, from high-cost rural areas altogether.

To mitigate potential anticompetitive effects of any existing EAS plans, and produce the intended consumer benefits, the following policy options and their sequence should be considered:

- Reduce LECs' access rates to cost (defined as no higher than TELRIC). Because access rates are typically set at several times their underlying costs, especially for rural carriers, such reductions may be all that is required to produce the functional equivalent of cost-based EAS plans.

- In the event that EAS rates are still below cost once access rates are reduced to cost, the rates of the EAS service must be adjusted to recover all relevant costs, including imputed access.
- In the event that such rate increases cannot be achieved for public policy reasons, it should make EAS service available for resale to competitors, adjusted to reflect appropriate differentials for retail and wholesale services. Only under such resale requirements can competition have a chance to survive in the rural market.
- New plans must be cost-based, optional to the local exchange customers served by the LEC, and available for unrestricted resale by competitors. The incumbent LECs -- rural and non-rural alike -- cannot provide any local exchange feature or functionality that is not also made available to competing carriers on a comparable basis, at comparable prices, terms and conditions.

The so-called "rural exemption" notwithstanding, under the 1996 Act, states have independent authority to undertake actions deemed necessary to advance the public interest, convenience, and necessity.<sup>1</sup> Unbundling rural carrier networks, thus opening the rural areas of the State to competition, sits squarely within that authority.

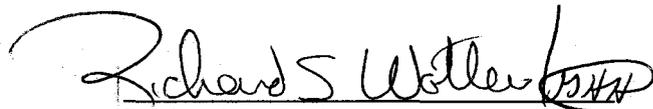
The Commission should focus on reducing the high access charges in Arizona to economic cost, not implementing rules that may encourage anticompetitive pricing plans. As noted earlier, access charge reductions may be all that is required to produce the functional equivalent of cost-based EAS plans, without the anticompetitive effects.

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<sup>1</sup> 47 U.S.C. § 251(f).

Dated this 31<sup>st</sup> day of July, 2002.

AT&T Communications of the  
Mountain States, Inc.

A handwritten signature in black ink that reads "Richard S. Wolters" with a stylized flourish at the end.

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**CERTIFICATE OF SERVICE**

I hereby certify that the original and 10 copies of **AT&T's Comments**, Docket No. RT-00000J-02-0251, were sent by overnight delivery on July 31, 2002 to:

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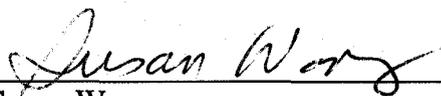
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