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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
COMMISSIONER
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

IN THE MATTER OF THE GENERIC INVESTIGATION OF PROPOSED RULES FOR EXTENDED AREA SERVICE

DOCKET NO. T-00000J-02-0251

QWEST'S NOTICE OF FILING RESPONSE TO STAFF'S JULY 16, 2002 REQUEST FOR COMMENT

Qwest Corporation ("Qwest") hereby provides notice of filing its responses to Arizona Corporation Commission Staff's July 16, 2002 request for comments regarding the above-captioned matter. See Exhibit A, attached.

RESPECTFULLY SUBMITTED this 2nd day of August, 2002.

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1326203.1/67817.302

Extended Area of Service ("EAS") Rulemaking Proceeding
Arizona Corporation Commission Docket No. RT-00000J-02-0251

Qwest's Response to Staff's July 16, 2002 Request for Comments

1. **In granting EAS, should a customer petition or other expression of public interest accompany a proposal? If so, how many customers or what percentage of customers in an area should be sufficient to prompt an EAS review?**

   Yes. As a guideline, the customer petition should contain the support of 50% of the customers. However, public interest is only one component to be considered. The needs of the Public Switched Telephone Network (PSTN), efficiency and reliability of the network, cost recovery, call volumes, and other considerations explained below may also drive an EAS implementation.

2. **Should EAS from one local calling area to two or more other local calling areas be permitted? If yes, how should the potential for illegal EAS bridging for the purpose of toll bypass be addressed and evaluated?**

   If an EAS petition will set up a scenario where toll bridging is possible, the petition should be denied. As stated in the Midvale case, T-02532A-00-0512, Qwest opposes creation of EAS areas that would foster illegal toll bridging situations. As an example of a toll bridging arrangement, suppose there are three exchanges (A, B, &C) and exchange A can make local calls to exchange B and exchange C can make local calls to exchange B, but there is not local calling between exchange A and exchange C. A toll bridger can take calls from exchange A and forward them through exchange B to exchange C, thereby avoiding toll charges for the customer in exchange A. Any proceeding to evaluate a petition for EAS should be required to address whether a potential toll bridging situation will be created. Also, please see Qwest comments provided for question 17.

3. **Should there be minimum call volumes needed before prompting an EAS review? If so, what should the minimum call volumes be and how would these minimum call volumes be determined in the case where multiple service providers exist?**

   Yes, call volumes are a primary consideration in an EAS review. Call volumes should be assessed based on two criteria: 1.) The petitioning exchange must have at least 50% of its customers making 3 calls per account per month into the petitioned exchange and 2.) The petitioning exchange must average at least 4-8 calls per account per month to the petitioned exchange. Please also see Qwest comments to question 4.

4. **Are there EAS rules in other states which should be considered or adopted in Arizona? If so, please supply these rules and any related reports or other documents.**

Yes. In Qwest's 14 state region, states that have rules generally include the following basic requirements:

Local calling area expansions are mandatory, two-way and contiguous. Cost recovery is appropriate for the local exchange carrier(s) and should include lost toll, access and Foreign Exchange (FX) revenue, network and customer notification expenses and capital costs.

When a local calling area expansion involves Qwest and other local telephone providers, e.g., an independent telephone provider or a competitive local exchange carrier (CLEC), recovery of the respective costs should be borne by each company's subscribers.

Community of interest must be demonstrated in order to ensure local calling area expansion benefits the majority of the affected customers.

The means of determining community of interest varies by state. As noted in Comments 3 and 5, while call volume is the primary means to determine this, other factors can and should be considered when determining the benefit to customers. Based on experience in other states, Qwest believes a community of interest is demonstrated and the majority of customers benefit from an expansion when call volumes exceed 4 - 8 calls per account per month and 50% of customers make 3 or more calls per month to the requested exchange.

Qwest is aware that multiple states have enacted EAS rules. These rules differ significantly from state to state. However, Qwest's experience has been that no single state has addressed the matter in a comprehensive and sufficient manner. Therefore, Qwest cannot recommend one single set of rules from another state to the Commission. Rather, individual portions of these rules should be examined and discussed in future workshops.

5. How should the concept of "community of interest" be defined?

State Commissions may consider a number of factors in evaluating the existence of a "community of interest". These could include a) calling pattern and volume data, b) geographic distances or barriers between the petitioning and petitioned communities, c) community demographic information, d) location of schools, governmental and jurisdictional offices, emergency services and social services, and medical and dental providers, e) employment and commuting patterns, f) business and commercial dependencies or interdependencies, and g) transportation patterns and services in and between the communities. And, in granting EAS, factor "a" and at least one other of these factors should apply.

6. What is the significance of call volumes to an EAS petition and review?

Call volumes are the most important factor in considering an EAS petition and review. It represents an objective, quantitative measure of interest between members of two (or more) communities.

7. **What are the potential costs of implementing EAS and what methods should companies use to recover the cost of EAS?**

Potential costs include loss of service revenues such as intraLATA toll, access, and FX revenues, network rearrangements and reconfigurations, new network equipment, and customer notification costs. Qwest favors full recovery of all costs, expenses, and lost revenues. Implementation of additional EAS without full cost recovery would constitute an unlawful taking that would impact the company's ability to earn its authorized rate of return. For that reason, the Arizona Corporation Commission has traditionally addressed EAS in a rate case proceeding during which the associated expenses and revenues are taken into account as part of the revenue requirement determination.

8. **How should the Commission approach EAS in light of the current and future competition in long distance and other telephone services? For example, how will revenue impacts on companies be determined now that the ILEC may not be the only company impacted?**

Qwest is only able to respond to its own cost and revenue impacts and, at the present time, can only address issues around Intra-LATA long distance and not long distance as a whole.. Long distance companies and other local service providers offering service in Arizona will be better able to address the impact EAS will have on their revenues. In an effort to avoid competitively disadvantaging any carrier, any EAS implementation should apply equally to all carriers.

9. **Are there any recent developments in the telecommunications industry that should be considered by the Commission in its EAS related proceedings?**

EAS was created in a time when customers had no choice as to their local and toll calling options. Often the only relief consumers could obtain from paying high toll rates for calls into a larger (typically metropolitan) exchange would be to request the creation of an extended calling area. However, in today's environment, competition in the intraLATA toll market has driven rates to an all-time low, thereby alleviating the need for EAS. Present-day consumers also enjoy a number of "alternatives" to traditional telephone services. One example is wireless telephony, which largely renders "local" and "toll" distinctions obsolete through plans that offer expanded local calling areas and free long distance. Internet and e-mail have also become commonly-used substitutes for long distance calling. It is entirely possible, and even expected, that demand for EAS will decrease as "EAS alternatives" continue to proliferate.

Furthermore, Qwest is no longer the only local service provider. It is Qwest's position that EAS should be applicable for all providers offering local exchange service in the affected areas, so as not to competitively disadvantage one carrier over another.

10. Are there other services that could/should be offered in place of the current form of EAS being offered?

See response to 9 above.

11. Are there other factors, beyond those mentioned in previous questions, that should be considered in relation to EAS implementation?

Qwest would emphasize that criteria for a community of interest be clearly demonstrated in considering the implementation of a new EAS expansion.

12. How should EAS implementation be addressed in cases where the involved exchanges are owned by more than one company?

CLECs and independents should participate in the responsibilities of implementing EAS. These would include arranging for additional facilities (e.g., trunking), discussions of implementation dates, customer notification, and participation in the final conversion phase (providing test call numbers and translation experts) to ensure proper implementation.

13. Rate center consolidation is a key number conservation methodology encouraged by the FCC. Should rate center consolidation also be implemented when EAS is implemented between exchanges? Provide the reasoning for your response and any supporting documentation.

It is possible, but not necessary to consider Rate Center Consolidation (RCC) at the time local calling expansion is being planned. Qwest recommends these two activities be undertaken separately due to the different notification and coordination processes for each.

Local calling expansion requires both state tariff and network changes, but no notification in the Local Exchange Routing Guide (LERG). The process of filing and changing those tariffs and the scheduling and implementation of the network changes should be completed before Rate Center Consolidation planning is finalized and Telcordia is asked to make the industry RCC notification in the LERG.

Since both local calling expansion and Rate Center Consolidation require updates and changes for company billing systems, it is best to allow one activity (local calling expansion) to be completed before addressing the V&H coordinate changes for Rate Center Consolidation.

14. What issues are there that should be considered when consolidating the rate centers of two or more ILECs in a local calling area?

LNP capability of all carriers should be the same; either not LNP capable or all LNP capable. If multiple, non-LNP capable carriers serve a consolidated rate center, to avoid customer confusion, it should be necessary for all to become LNP capable simultaneously if one gets a bona fide request for LNP. To allow different levels of LNP capability among serving carriers in the same rate center is discriminatory and should be avoided.

Once a multiple ILEC, LNP-capable rate center is formed, franchise boundaries may become transparent as customers (ILEC & CLEC) are permitted to port numbers across those franchise boundaries. Also, once that rate center begins Thousand Block Number Pooling, the distinct boundaries become even less recognizable.

15. What issues should be considered when consolidating the rate centers in a local calling area when both rural and non-rural carriers are involved?

The LNP capability of the carriers involved should be considered for the reasons stated in response 14. Number Pooling and porting (LNP) have rural exemption conditions that may apply per FCC orders. Rate centers being considered for consolidation should be adjacent to one another so that the newly formed rate center is a contiguous geography.

16. Are there rate center consolidation orders or rules in other states that should be considered or adopted in Arizona? If so, please supply these rules or any related reports or other documents.

Qwest is not aware of any state within its local serving territory that has adopted formal Rate Center Consolidation rules.

Several states have ordered Rate Center Consolidation plans over the past few years. While each of those orders has some good points, none of the orders stand alone as a model. Qwest has determined from participation in those projects that the following key points should be included in future orders and/or rules:

Existing common local calling and contiguous geography should be considered primary triggers for recommending a rate center consolidation.

The commission's knowledge of any future local calling expansion activities by various ILECs or communities should be taken into consideration as the commission considers an ILEC's recommendation for Rate Center Consolidation.

The state commission should put prospective Rate Center Consolidation plans out for comment by the industry and other interested parties. Rate Center Consolidations should be formally ordered by the state commission so the industry and customers are assured

the consolidation has been thoroughly reviewed and is being done in everyone's best interest.

Commission orders for RCC should provide a list of the rate centers being consolidated, the ILEC(s) involved and a minimum of six to nine months lead time to accomplish the proper notification activities within timelines recommended in industry guidelines.

17. Identify where expansion of EAS might be considered to promote rate center consolidation and/or eliminate existing opportunities for EAS bridging. Prioritize your recommendation and provide an estimate of the cost and revenue impact to your company.

Answering this question from a Rate Center Consolidation perspective, expanding local calling should be considered for community of interest reasons or to eliminate opportunities for EAS bridging (toll avoidance) only. Creating a revenue requirement and higher customer rates for the sake of rate center consolidation is not appropriate if there is little likelihood of saving a significant number of NXXs in the future. Qwest opposes an EAS expansion that would create a potential for bridging. A better solution would be to define the expanded calling area so that exchanges in overlapping local calling areas are all local to each other.

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