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BEFORE THE ARIZONA CORPORATION COMMISSION
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GARY PIERCE
Commissioner

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PAUL NEWMAN
Commissioner

Arizona Corporation Commission
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SANDRA D. KENNEDY
Commissioner

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BOB STUMP
Commissioner

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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
REPLY BRIEF OF VERIZON

Attached is the Reply Brief filed on behalf of Verizon Business Services and
Verizon Long Distance.

RESPECTFULLY SUBMITTED this 14th day of September, 2010.

LEWIS AND ROCA

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

Attorneys for Verizon

ORIGINAL and fifteen (15) copies
of the foregoing filed this 14th day of September, 2010, with:

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

COPY of the foregoing hand-delivered
this 14th day of September, 2010, to:

Jane L. Rodda
Administrative Law Judge
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Maureen Scott
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

Mr. Steve Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

COPY of the foregoing mailed
this 14th day of September, 2010, to:

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

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

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

Paul Castaneda
President, Local 7019
COMMUNICATION WORKERS OF AMERICA
1615 N. 36th Street
Phoenix, AZ 85008

COPY of the foregoing e-mailed
this 14th day of September, 2010, to:

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

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

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

Dan Foley
Isabelle Salgado
AT&T Nevada
645 E. Plumb Lane, B 132
PO Box 11010
Reno, NV 89520
Dan.foley@att.com
Gc1831@att.com

Joan S. Burke
Osborn Maledon, PA
2929 North Central Avenue, Suite 2 100
Phoenix, AZ 85012
Jburke.@omlaw.com

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

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

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

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

William A. Haas
Deputy General Counsel
McLeodUSA Telecommunications
Services, Inc.
6400 C. Street SW
Cedar Rapids, Iowa 85406
Bill.Haas@mcleodusa.com

Dennis D. Ahlers
Associate General Counsel
Integra Telecom, Inc.
730 Second Avenue, Suite 900
Minneapolis, MN 55402
ddahlers@eschelon.com

Charles H. Carrathers, III
General Counsel, South Central Region
Verizon, Inc.
HQE03H52
600 Hidden Ridge
Irving, TX 75015-2092
Chuck.carrathers@verizon.com

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

Orbitcom, Inc.
Brad VanLear, President
1701 N. Louise Ave.
Sioux Falls, SD 57107
bvanleur@svtv.com

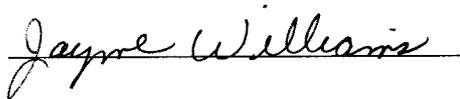
Arizona Payphone Associations
c/o Gary Joseph
Sharenet Communications
4633 West Polk Street
Phoenix, AZ 85043
garyj@nationalbrands.com

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

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

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

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



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

Attorneys for Verizon

Dated: September 14, 2010

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I. Introduction

The record provides a solid basis for the Commission to implement necessary and beneficial access charge reform in Arizona now. Those parties opposed to reform and seeking to slow-roll the process of achieving a more economically efficient and rational rate structure have failed to demonstrate why further delay is warranted.

In its initial brief, Verizon¹ set forth specific recommendations for quickly reducing local exchange carriers' ("LECs") excessive intrastate switched access rates to more reasonable levels. Along with the Commission's Staff and other parties, Verizon recommended capping the rates of competitive local exchange carriers ("CLECs") at the level of Qwest's intrastate rate. Similarly, Verizon recommended that incumbent local exchange carriers ("ILECs") other than Qwest also be required to reduce their intrastate switched access rates to match Qwest's. Verizon explained how ILEC access rate reductions could be offset by modifications to rates for other services in a revenue-neutral manner, without unnecessary procedural delay.² Verizon also explained why it would be improper to expand the Arizona Universal Service Fund ("AUSF") in order to implement meaningful access charge reform.

In its opening brief, Verizon also addressed most of the arguments that the opponents of access charge reform made in their pre-filed testimony and during the hearing. To the extent those parties simply reiterated those positions in their opening briefs, Verizon will not burden the record by repeating its earlier comments that addressed those contentions. Significantly, nothing in the initial briefs submitted by other

¹ This brief is filed on behalf of Verizon Business Services and Verizon Long Distance ("Verizon").

² Verizon's specific recommendations for how CLEC and ILEC access charges should be reduced are set forth in the Initial Brief of Verizon ("Verizon Brief"), filed July 9, 2010, at 72-77.

parties undermines the reasonableness and validity of Verizon's specific recommendations for Commission action.

II. Access Charge Reform Is Fully Warranted and Should be Implemented Now

RUCO and the Joint CLECs³ claim there is no pressing need to reduce access charges at this time,⁴ but that contention is contradicted by the overwhelming evidence showing that many LECs' access charges in Arizona are not just and reasonable, and that excessive access rates harm competition and consumers.⁵ Moreover, the rural LECs themselves acknowledge that switched access reform is desirable and in the public interest.⁶

RUCO cloaks its concerns about access charge reform in exaggerated terms, which is not conducive to reasoned decision-making. For example, it claims that IXCs have asserted "they should not be required to pay for using [the LECs'] networks, or at most they should make only token payments" for access.⁷ However, RUCO cites nothing in the record of this proceeding that would substantiate these charges.⁸ What Verizon, AT&T, Sprint, Qwest and Staff have shown is that the access rates currently charged by many ILECs and CLECs in Arizona are excessive, and that they should be reduced to

³ The Joint CLECs and Cox Arizona Telcom, L.L.C. filed briefs that were prepared by the same law firm and are virtually identical in all key respects. For ease, only the Joint CLECs' brief is generally cited herein, even though Cox made many of the same arguments.

⁴ RUCO Brief at 5; Joint CLEC Brief at 2, 4.

⁵ AT&T Brief at 2-3, 16-20; Qwest Brief at 28-30; Staff Brief at 5-6, 9-10; Verizon Brief at 14-19, 47-48; Sprint Brief at 1-4, 7-11.

⁶ Exhibit ("Ex.") ALECA-1 (Meredith Direct) at 6.

⁷ RUCO Brief at 10.

⁸ Similarly, RUCO does not cite any evidence to support its assertion that "[m]any of the proposals offered by other parties would allow toll and switched access customers to avoid paying a reasonable share of the fixed costs of the local exchange networks." *Id.* at 14. The Commission should disregard all such unsubstantiated allegations.

more reasonable levels in order to promote more economically efficient competition.⁹ Contrary to RUCO's claim, none of the IXCs have proposed "the elimination" of switched access charges or that they "should be reduced towards zero."¹⁰ In fact, Verizon proposes that ILECs and CLECs be compensated by charging the same switched access rate as Qwest, or 2.2 cents per minute, which the Commission has previously found to be a reasonable rate.¹¹

RUCO decries what it considers to be "severe reduction[s]" in access charges,¹² but its characterization of the situation is not shared by the rural ILECs that would actually be making the rate reductions. In fact, ALECA actively supports access charge reform and agrees with Verizon that the rural ILECs' access rates should be reduced to the same level as Qwest's.¹³ RUCO also argues that "the extreme and immediate shift of cost responsibility suggested by the IXCs would be contrary to the clear intent of the FCC's stated goals, as well as the federal case law and regulation."¹⁴ This contention is also incorrect.¹⁵ As explained by Verizon, the current access charge regime allows LECs

⁹ Verizon Brief at 14-18, 32-33, 47-50; AT&T Brief at 9-12, 16-18, 27; Sprint Brief at 3, 7, 27.

¹⁰ See RUCO Brief at 13, 10.

¹¹ Similarly, AT&T emphasizes that it is not proposing to reduce the LECs' access rates "to cost." AT&T Brief at 31.

¹² RUCO Brief at 13.

¹³ See ALECA Brief at 3.

¹⁴ RUCO Brief at 13.

¹⁵ RUCO states that in a decision issued more than 85 years ago, "the U.S. Supreme Court provided its guidance on whether switched access rates should be greatly reduced or eliminated." *Id.* at 11. This assertion is obviously wrong. Switched access charges were not even developed until the 1980's when increasing interexchange competition and the divestiture of the former Bell System necessitated new compensation arrangements. Ex. Verizon-4 (Price Direct) at 7; Ex. AT&T-1 (Aron Direct) at 22-23. More relevant and contemporary guidance on how to rationalize access charges may be found in the FCC's decisions reducing the switched access rates of large ILECs, small and mid-sized ILECs, and CLECs. See *Access Charge Reform*, CC Docket No. 96-262, Sixth Report and Order, 15 FCC Rcd 12962 (2000) ("CALLS"); *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19613 (2001) ("MAG"); *Access*

to shift too much of their costs to switched access purchasers and their retail customers, and thus places a disproportionate burden on other carriers (and their customers) to subsidize the LECs' services in Arizona.¹⁶ The FCC has found that such irrational price structures "lead to inefficient and undesirable economic behavior," and, ultimately, to higher prices for consumers.¹⁷ Requiring LECs to recover more of their costs from their end users is not "extreme," as RUCO suggests; rather, the FCC has already embraced this policy, because this approach is economically efficient and promotes competition in both long distance and local service markets.¹⁸

The Joint CLECs argue against access charge reform on the grounds that it is "unclear if and when end-user customers" will benefit from access reductions, based on their claim that "the IXCs acknowledge that intrastate access charge reductions will not be *immediately* passed through to consumers."¹⁹ This is a clear distortion of the record. In fact, Verizon and AT&T have already committed to eliminate certain retail charges once access charges are reduced in Arizona,²⁰ and AT&T's witness Dr. Aron also described consumer benefits that have resulted from reducing access rates.²¹

Finally, the Joint CLECs argue that it does not make sense "to expend scarce Commission resources" to address CLEC access charge reform at this time.²² This

Charge Reform, Reform of Access Charges Imposed by Competitive Local Exchange Carriers, Seventh Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 9923 (2001) ("*CLEC Rate Cap Order*").

¹⁶ Verizon Brief at 17, 19, 32-33.

¹⁷ See, e.g., *CALLS* at ¶¶ 129.

¹⁸ *CLEC Rate Cap Order* at 33, 39; see also *CALLS* at ¶¶ 77-78 and 114.

¹⁹ Joint CLEC Brief at 2, 4, 14 (emphasis added).

²⁰ See Verizon Brief at 18 fn. 63; AT&T Brief at 22.

²¹ Hearing Transcript ("Tr.") at 298-299.

²² Joint CLEC Brief at 4-5.

assertion makes no sense, as it comes at the end of a very lengthy process in which the Commission has developed a comprehensive record on which it can now make informed and reasoned decisions.²³ The Commission and the parties already have expended considerable time and resources in regulatory filings, workshops and evidentiary hearings over the past several years.²⁴ Having devoted the time and effort to producing a substantial evidentiary record, it is now time to make a decision.

III. There are No Procedural Obstacles to Immediately Implementing Needed Access Charge Reform

The Joint CLECs contend that the Commission may not implement access charge reform at this time, citing “due process” concerns.²⁵ These carriers claim that the current proceedings are merely intended to “generat[e] policy recommendations for future Commission proceedings” and that the Commission must initiate yet additional proceedings before it may effectuate any access charge reductions.²⁶ Their position is predicated on the concept that the Commission “should provide all affected carriers appropriate notice and opportunity to be heard” before reducing their access charges.²⁷

²³ RUCO (Brief at 2-4) and Staff (Brief at 3-5) describe the 10-year process that led up to the hearings in these consolidated dockets.

²⁴ The Joint CLECs’ argument (Brief at 6) that “[t]he cost of a proceeding to review access charges and implement possible changes would likely far exceed the benefit of doing so” is similarly misplaced, given that it is being made at the conclusion of the proceeding after the parties have already incurred their litigation costs. This contention is also incorrect, because the record developed in this proceeding demonstrates the substantial benefits that access charge reform will bring to consumers and the competitive market in Arizona.

²⁵ Joint CLEC Brief at 1, 2, 4, 6.

²⁶ *Id.* at 1-2; *see also* RUCO Brief at 3 fn. 3 (referring to the current proceeding as a “rulemaking docket,” but claiming that the Commission must undertake additional procedural steps before modifying a carrier’s rates).

²⁷ Joint CLEC Brief at 6-8.

These procedural arguments - raised for the first time at the eleventh hour - are specious, and the Commission should disregard them for the delay tactics they are. There can be no credible claim that parties have not been provided adequate notice and an opportunity to be heard on the relevant issues. The recitation of the 10-year history of this proceeding set forth in RUCO's and Staff's briefs makes it abundantly clear that carriers have had numerous opportunities to participate and present their views on all issues relating to the level and reasonableness of switched access rates charged in Arizona.²⁸ The Commission launched its investigation into the costs and reasonableness of access rates in 2000, and informed CLECs in a procedural order issued the following year that their intrastate access charges in Arizona could be changed in this proceeding.²⁹ As detailed in the record, all carriers had opportunities to submit written comments in 2002, 2003 and 2008, followed by workshops held in 2009, in which all parties were invited to participate.³⁰ The Commission subsequently identified a number of specific issues that were designed to focus the evidentiary hearing that was held earlier this year.³¹ Contrary to the Joint CLECs' claim that they have had too little opportunity to be heard, RUCO observed that "[t]hrough this proceeding, the parties have essentially reiterated positions that had been advocated several times over the course of these consolidated

²⁸ RUCO Brief at 2-4; Staff Brief at 3-5.

²⁹ See RUCO Brief at 2; Verizon Brief at 36, 45.

³⁰ See RUCO Brief at 2-4; Staff Brief at 3-5. The fact that so many ILECs, IXC's and CLECs participated at various stages of the process belies any claim that carriers were not on notice that the issues being addressed might affect their interests. Any carrier that chose not to participate in the proceedings did so on its own volition, and not because it was denied the opportunity to be involved.

³¹ See Staff Brief at 4-5. The issues addressed, among other things, the carriers that would be covered by access reform, the "target level" to which access rates should be reduced, and the procedures the Commission should "implement to achieve the desired reduction in access rates." Insofar as the Joint CLECs assert (Brief at 6-7) that "the Commission should provide all affected carriers appropriate notice and opportunity to be heard if it is going to reduce the carriers' intrastate access charges," the Commission clearly did so when it designated these particular issues for hearing.

dockets.”³² Not only are complaints about the lack of due process invalid, but the processes the Commission has undertaken to reach this decisional point have been more extensive and prolonged than in any other state that has implemented access charge reform.³³

The essence of the Joint CLECs’ due process argument is that they “need sufficient opportunity to be heard” on certain issues – specifically, that the proposed reduction in access rates is not confiscatory and that capping all LECs’ rates based on the ILEC rate is not arbitrary – as well as an “opportunity to prove” that capping CLEC rates at Qwest’s level does not permit the LEC to recover its cost of providing switched access.³⁴ This argument is disingenuous. Having acknowledged that “[t]he professed goal of intrastate access charge reform is to *reduce* the current intrastate access charge rates,”³⁵ the Joint CLECs cannot credibly claim that they were not given ample opportunity to address issues relating to access charge reductions during the recently-completed hearings. In fact, the Joint CLECs and Cox have already presented testimony on each of these (and additional) issues, and they admit that “[t]he parties have provided substantial information to the Commission” during these proceedings.³⁶ The CLECs have had a full opportunity to address their positions on these matters, and their proposals are without merit.

³² RUCO Brief at 4.

³³ States that have already reformed CLECs’ intrastate switched access charges are listed in Verizon’s Brief at 24-26.

³⁴ Joint CLEC Brief at 2. Notably, the Joint CLECs’ recommendation that the rate cap be set “modestly above the ILEC (such as the ILEC rate plus 15%)” (*see id.* at 10) is itself arbitrary, as it lacks any evidentiary basis. *See* Verizon Brief at 37.

³⁵ Joint CLEC Brief at 6 (emphasis in original).

³⁶ *Id.* at 1.

While the Joint CLECs continue to argue that “cost is the only fair benchmark” and that “a carrier’s own cost is the only reasonable benchmark for its access rates,”³⁷ none of the CLECs provided any evidence about any carrier’s costs during the hearing. Moreover, the CLEC parties stated that preparing cost studies “would be a resource intensive and lengthy option that is not practical for many CLECs,” and “would likely far exceed the benefit of doing so.”³⁸ Thus, rather than having been denied an opportunity to be heard on the question of CLEC costs, the Joint CLECs failed to take advantage of the repeated opportunities offered to them to present the information they contend is important.³⁹ In light of this, it would be unreasonable and unproductive “to expend scarce Commission resources” to conduct still more proceedings into the reasonableness of CLEC access rates when the existing record already provides a sound basis for instituting needed reforms now.

None of the cases cited by the Joint CLECs substantiate their contention that the processes and procedures followed by the Commission in this proceeding are insufficient. On the contrary, in *Simms v. Round Valley Light & Power Co.*, 80 Ariz. 145, 154; 294 P.2d 378, 384 (1956), the Arizona Supreme Court acknowledged that, in exercising its rate-making power, the Commission “of necessity has a range of legislative discretion and so long as that discretion is not abused,” a reviewing court will not overturn the Commission’s judgment as to what constitutes a just and reasonable rate. In *State ex. rel. Corbin v. Arizona Corporation Commission*, 143 Ariz. 219, 223-24; 693 P.2d 362, 366-67 (App. 1984), the court recognized that “the rate-making function of the Commission

³⁷ *Id.* at 9-10.

³⁸ *See* Verizon Brief at 38.

³⁹ *Id.* at 39-41.

has varying aspects” and focused on the process and procedures through which the Commission gathers and considers information leading to its decision. Relying on United States Supreme Court precedent, the Arizona appellate court stated that “fundamental procedural requirements” include the need for “a full hearing” and “[t]here must be evidence adequate to support pertinent and necessary findings of fact.”⁴⁰ There can be no credible argument that the Commission has abused its discretion here by conducting a multi-phased proceeding over several years and holding evidentiary hearings, in order to develop a full factual record on which it can base its ultimate decision.

The Joint CLECs also contend that “[t]hese generic dockets are insufficient process for actually reducing rates.”⁴¹ This argument, too, is incorrect. In fact, “generic” proceedings are precisely the process that the FCC and numerous other states have utilized when reforming CLEC switched access charges.⁴² Establishing an industry-wide rate benchmark is more efficient than conducting separate, carrier-specific reviews for each individual company. Because the Joint CLECs admit that no CLEC has developed an intrastate switched access cost study in Arizona and that individual cost proceedings would not be practical for most CLECs,⁴³ it is inconceivable that the Commission should

⁴⁰ 143 Ariz. at 224, 693 P.2d at 367. A third decision cited by the Joint CLECs, *Residential Utility Consumer Office v. Arizona Corporation Commission*, 199 Ariz. 588, 20 P.3d 1169 (App. 2001) is inapposite. That case involved a request by a utility to impose a surcharge that was approved by the Commission, and there was no argument that the utility’s due process rights were violated.

⁴¹ Joint CLEC Brief at 7. RUCO argues similarly that the Commission should conduct company-specific proceedings in which it can “evaluate the degree to which the general policies determined in the first phase are suitable for the particular utility.” RUCO Brief at 8. Not only would such proceedings be unnecessarily duplicative and time-consuming, this suggestion ignores the fundamental purpose of agency rulemakings in which regulatory policies of general applicability are established and applied uniformly to similarly-situated entities.

⁴² See *CLEC Rate Cap Order* and state proceedings cited in Verizon’s Brief at 25-26.

⁴³ See Verizon Brief at 38-40.

proceed on any other basis than through a generic proceeding in which it establishes a common benchmark, based on a rate that the Commission has found to be just and reasonable, and applies it to all carriers. Once the Commission establishes that policy, the actual rate changes will be implemented through subsequent tariff filings (and any revenue-neutral rate changes to other services that a carrier may elect to make). Joint CLECs fail to explain why such an approach constitutes an abuse of discretion, or is unreasonable or insufficient.

As explained above, the Joint CLECs' claim that parties lacked sufficient notice is without merit. While they observe in passing that the Commission has not issued a "notice of proposed rule-making,"⁴⁴ this appears to be merely a technicality given the specific notice that the Commission has provided carriers at every step of this 10-year proceeding. Nor does it bar the Commission from adopting appropriate access charge reform policies in this proceeding, given the ample opportunities that parties have had to participate and make their views known. The Commission may adopt new policy by order, and no changes to the administrative rules are necessary to implement intrastate switched access reform.

RUCO characterizes the current proceeding as a "rulemaking"⁴⁵ and states that such proceedings must comply with the procedures set forth in ARS § 41-1057(2). RUCO's reliance on that provision is misplaced. Section 41-1057 establishes certain "exemptions" and expressly states that the provisions relating to the Governor's Regulatory Review Council (Article 5) "do[] not apply" to the Corporation

⁴⁴ Joint CLEC Brief at 2.

⁴⁵ RUCO Brief at 3, 7.

Commission.⁴⁶ While that section directs the Commission to adopt rule review procedures, it does not require the Commission to prepare statements about the economic impact and effect of the rule on small businesses at the outset of a proceeding. Presumably the Commission can issue those statements once it develops a factual record to support them.⁴⁷ Importantly, the Commission Staff's testimony and substantive recommendations are predicated on Staff's apparent belief that the Commission may adopt appropriate access charge reform policies in this proceeding, at this time. So long as the Commission's pertinent findings of fact are supported by evidence in the record and it follows the applicable procedures, the Commission will be acting well within its discretion.⁴⁸

Finally, it is undeniable that the Commission has plenary power over ratemaking and that its "authority ... include[s] the promulgation of rules and regulations that are 'reasonably necessary steps in ratemaking.'"⁴⁹ It is also clear that the Commission has discretion in how to exercise that authority, so long as its approach is not arbitrary and

⁴⁶ See *U S West Communications, Inc. v. Arizona Corporation Commission*, 197 Ariz. 16, 22 (App. 1999); 3 P.3d 936, 942; 295 Ariz. Adv. Rep. 41 (concluding that "[t]he Commission's rules are not subject to [Governor's Regulatory Review] council oversight," and citing A.R.S. § 41-1057(2)).

⁴⁷ Here, the record shows that access charge reform will benefit all customers, including small businesses, and there is no evidence that small carriers will be adversely affected. Moreover, AT&T's witness Dr. Oyefusi pointed out that many of the CLEC participants are not "mom-and-pop" small businesses, but are instead large, multi-state corporations with very substantial revenues. AT&T Brief at 27.

⁴⁸ If, however, the Commission determines that additional procedural steps must be taken before it can finalize new access charge policies, any such "formal rulemaking" could and should be conducted swiftly. There is a solid evidentiary record that provides ample support for new access charge policies, and the Commission can move expeditiously to adopt them even if it finds it is compelled to jump through an additional procedural hoop before finalizing such policies. Given the extensive time the Commission and parties have already devoted to these issues, there is no reason to prolong the process unnecessarily.

⁴⁹ *Phelps Dodge Corp. v. Arizona Elec. Coop.*, 207 Ariz. 95, 111-12 (App. 2004); 83 P.3d 573, 589-90; 421 Ariz. Adv. Rep. 7; *U S West Communications, Inc. v. Arizona Corporation Commission*, 197 Ariz. at 23, 3 P.3d at 943, 295 Ariz. Adv. Rep. 41.

unreasonable.⁵⁰ Determining reasonable switched access rates for CLECs and ILECs and imposing limits on the rates these carriers may charge is certainly within the Commission's ratemaking authority, and establishing such policies in this proceeding are "reasonably necessary steps" in the ratemaking process. No party has shown that a Commission decision to impose rate caps on LEC access charges would be in excess of its authority or that the process it has undertaken in this proceeding is arbitrary or represents an abuse of discretion. Accordingly, all of the procedural objections raised by the Joint CLECs and RUCO are without merit and should be rejected.

IV. Capping CLEC Switched Access Rates at Qwest's Intrastate Rate Is Appropriate

Verizon, Qwest and Commission Staff have explained at length why capping CLEC switched access rates at Qwest's level is justified, and consistent with FCC rules and regulations in numerous states.⁵¹ The Joint CLECs and Cox argue that relying on Qwest's rate as a benchmark for the reasonableness of CLEC access charges is "arbitrary," as it is not based on the costs of individual CLECs,⁵² and that if any price cap is established, it should be phased in over a lengthy transition period. Verizon previously addressed – and refuted – each of these arguments,⁵³ and will not reiterate those points here. Suffice it to say that nothing in the CLECs' post-hearing briefs cast doubt on the

⁵⁰ *Phelps Dodge Corp. v. Arizona Elec. Coop.*, *supra*, 207 Ariz. at 109, 83 P.3d at 587 (citing *Arizona Corp. Comm'n v. Arizona Pub. Serv. Co.*, 113 Ariz. 368, 371; 555 P.2d 326, 329 (1976)).

⁵¹ Verizon Brief at 19-28; Qwest Brief at 26-28; Staff Brief at 9-10.

⁵² Using Qwest's intrastate rate as the benchmark is supported by the record and Commission precedent finding that rate to be reasonable. In contrast, the Joint CLECs' alternative proposal to set the benchmark at "the ILEC rate plus 15%" (Joint CLEC Brief at 10) is completely arbitrary, because it is based on undocumented assertions that some CLECs might have higher costs (of an indeterminate magnitude) than the ILEC.

⁵³ Verizon Brief at 28-33, 44-46.

wisdom and reasonableness of a policy that prohibits CLECs from charging intrastate access rates higher than Qwest's.⁵⁴

While the Joint CLECs claim that some carriers might find it practically difficult to offset access revenue reductions by increasing rates for other services,⁵⁵ Verizon's proposals would permit CLECs to make any desired rate changes or modifications to maximum tariff rates quickly, pursuant to and in accordance with existing Commission procedures.⁵⁶ Not only do CLECs generally have the ability and regulatory flexibility to revise their rates for retail services, but it is appropriate from a policy perspective that the CLECs begin to recover more of their costs from their end users, rather than from carriers that purchase access services from the LEC.

The CLECs urge the Commission to refrain from implementing needed reforms while the FCC proceeds to undertake consideration of its "National Broadband Plan."⁵⁷ The Joint CLECs previously asserted that intercarrier compensation reform "is taking so long,"⁵⁸ and acknowledge in their brief that the FCC has yet to issue new Notices of Proposed Rulemaking relating to intercarrier compensation and certain universal service funding issues.⁵⁹ Because the FCC Staff's recommendations (even assuming they are

⁵⁴ Staff suggests that "[i]f a CLEC believes that its cost of providing switched access services exceed those of the ILEC, it should have the option of filing information with the Commission to demonstrate that a higher maximum rate is appropriate." Staff Brief at 9. The Commission should not adopt this recommendation. CLECs had ample opportunity to file such information in this proceeding, and they did not do so. Permitting carriers to make such a showing in the future will likely result in gamesmanship and delay. Significantly, the FCC found that a key benefit of its benchmarking approach for CLEC interstate switched access rates is that it avoids the need to engage in a detailed examination of the costs of individual CLECs. In addition, the FCC recently rejected a CLEC's request to exceed the benchmark based on the CLEC's costs. See Verizon Brief at 39.

⁵⁵ Joint CLEC Brief at 13.

⁵⁶ Verizon Brief at 73-74.

⁵⁷ Joint CLEC Brief at 1-4.

⁵⁸ Ex. JCLEC-1 (Denney Direct) at 16.

⁵⁹ Joint CLEC Brief at 4.

ultimately adopted) would be implemented over a ten-year period, there is no legitimate reason for this Commission to delay needed reforms, particularly when it has developed a substantial record that supports taking immediate action now. Moreover, to the extent the Joint CLECs wish to harmonize intrastate switched access charge policies in Arizona with the FCC's access charge policy, it bears repeating that the FCC adopted rules and imposed a cap on CLECs' interstate switched access rates (at the level of the competing ILEC) *nine years ago*. Thus, in order to avoid being "contrary to, or incompatible with" federal access charge rules⁶⁰ - a goal deemed worthy by the Joint CLECs - the Commission should require CLECs to reduce their intrastate access rates to the ILEC's level now, just as these CLECs did long ago with their interstate rates.

V. Capping ILEC Switched Access Rates at Qwest's Intrastate Rate Is Consistent with the ILECs' Own Proposal and Is Fully Justified

There is no serious dispute that the intrastate switched access rates charged by independent LECs in Arizona are excessive and should be reduced. On behalf of its members, ALECA recommends that the Commission reduce the ILECs' intrastate switched access rates to Qwest's composite intrastate rate of \$0.022 per minute.⁶¹ Verizon and Qwest agree.⁶² Commission Staff also proposes setting the access rate benchmark at Qwest's intrastate rate, but with one caveat: if an ILEC's interstate rates are higher than Qwest's intrastate rate, Staff suggests that the ILEC be required to mirror its own interstate access rate, instead of Qwest's intrastate rate.⁶³ Two parties, AT&T

⁶⁰ See Joint CLEC Brief at 2.

⁶¹ ALECA Brief at 3.

⁶² Verizon Brief at 48-50; Qwest Brief at 2, 5, 11-12.

⁶³ Staff Brief at 9-10. Verizon does not oppose Staff's proposed modification, but considers it unnecessary.

and Sprint, argue that the ILECs' rates should be reduced to the level of the carriers' interstate rates, but Staff and Qwest have explained why using Qwest's intrastate rate – which the Commission previously found to be reasonable – is a more appropriate benchmark to be used at this time.⁶⁴ As Qwest explained, reducing other carriers' access charges to the level of Qwest's intrastate rate is a measured, prudent move, and will avoid rate shock.⁶⁵

AT&T and Sprint argue that access rate reductions should be implemented immediately.⁶⁶ Verizon agrees. Verizon has explained why the prolonged transition period requested by the CLECs is not warranted,⁶⁷ and there is likewise no reason for ILECs to defer making needed access rate reductions. Qwest is the only party to suggest that a multi-year transition period might be appropriate, but it does not offer a specific plan for the Commission to adopt.⁶⁸ More important, none of the rural LECs have requested that access charge reductions be delayed. Accordingly, there is no reason for the Commission not to require the carriers to reduce their access charges immediately.⁶⁹ Reducing excessive access charges to more reasonable levels and adjusting retail rates that have been set at levels that are not economically unsustainable is sound policy and should be accomplished as quickly as possible.

⁶⁴ Staff Brief at 7-8; Qwest Brief at 12, 21-23.

⁶⁵ Qwest Brief at 2.

⁶⁶ AT&T Brief at 30-31; Sprint Brief at 18.

⁶⁷ Verizon Brief at 44-46.

⁶⁸ Qwest Brief at 3. Staff stated it might have a concern if there were a "flash cut to interstate levels," but its proposal to cap ILEC rates at Qwest's intrastate rate does not include a transition period. *See* Staff Brief at 8.

⁶⁹ Verizon has proposed that ILECs make access rate reductions and corresponding revenue neutral changes to retail rates within 90 days after the Commission's decision. Only if the initial access reductions do not result in rates that are at or below the access rate benchmark (Qwest's intrastate rate) would an ILEC be permitted to phase-in additional access charge reductions over time. Verizon Brief at 52-53, 76-77.

VI. All LECs Should Be Given an Opportunity to Engage in Revenue-Neutral Rate Rebalancing

There is substantial consensus that carriers should have the option of either absorbing access charge reductions or rebalancing their rates for other services, generally in a revenue-neutral manner.⁷⁰ As AT&T's economic witness testified, allowing LECs to recover foregone access revenue by increasing their retail rates "would be the most economically efficient means of recovering those revenues, and would best promote competition and efficient investment."⁷¹

The primary difference among the parties relates to the process by which carriers may implement rate rebalancing. Verizon explained that, under current rules, ILECs can implement the necessary access rate reductions and any offsetting increases to their retail rates fairly rapidly. Verizon also explained that revenue-neutral rate changes would not prompt a "fair value" determination because the rate changes would not increase the carrier's total revenues, nor would they affect the value of the carrier's in-state property or investment. The revenue-neutral change to rates would simply reflect a revision of the ILEC's rate design to achieve the approved revenue requirement.⁷² Qwest agrees that revenue-neutral rate increases should be approved based on a showing that the rate changes are revenue-neutral, without any need for the carrier to file a rate case or a Rule 103 filing and without a determination of fair value and rate of return.⁷³

⁷⁰ Staff Brief at 13, 15; Qwest Brief at 37; Verizon Brief at 51-53; AT&T Brief at 37; Sprint Brief at 36; Ex. Cox-1 (Garrett Direct) at 9.

⁷¹ See Verizon Brief at 51 (quoting Ex. AT&T-1 [Aron Direct] at 14).

⁷² Verizon Brief at 51-53, 75-76.

⁷³ Qwest Brief at 37-39. AT&T supports local rate increases up to a reasonable benchmark, and does not indicate that a "fair value" determination is required to be made in those circumstances. AT&T Brief at 37.

During the hearing, Staff also agreed that if the rate increases are “overall revenue neutral,” an ILEC could make those changes “outside of a rate case.”⁷⁴ Staff also testified that such an approach “would be permissible under the *Scates* case.”⁷⁵ In its brief, Staff recommends (similar to Qwest’s proposal described above) that when a LEC seeks to rebalance rates, the company should “be required to make a filing with the Commission showing the rate changes it proposes and demonstrating that they are in fact revenue neutral.”⁷⁶

However, Staff’s brief goes on to make additional recommendations that are not as direct and precise as those in its testimony, and thus could create unnecessary confusion. For example, Staff states in its brief that “[t]he Commission would still have to review rate rebalancing proposals to determine whether the proposal is acceptable or whether a rate case would be necessary. For instance, if the magnitude of the amount being requested was significant, the Commission may desire to proceed through a R14-2-103 filing.”⁷⁷ If the first statement is simply a confirmation that the Commission has a responsibility to determine that a rate rebalancing proposal is truly revenue-neutral, then it is not objectionable. However, if Staff is suggesting that a formal rate case would be necessary before a revenue-neutral rate rebalancing could take effect, or that the Commission would have the discretion to require a rate case on an *ad hoc* basis,⁷⁸ Verizon strongly disagrees. Staff has provided no legal or other rationale why a rate case

⁷⁴ Ex. S-1 (Shand Direct) at 28 (Position on Issue No. 7).

⁷⁵ *Id.*

⁷⁶ Staff Brief at 15.

⁷⁷ Staff Brief at 13.

⁷⁸ *See* Staff Br. at 16 (“The Commission in reviewing such an application would review the magnitude of the changes being requested and the fair value information to determine whether rate rebalancing was appropriate or whether a rate case is necessary.”)

would be necessary in such circumstances. Likewise, Staff did not explain why the “amount” or “magnitude” of revenue-neutral rate changes might necessitate a R14-2-103 filing, nor did it define what amount of rate rebalancing would be deemed “significant” such that a Rule 103 filing would be considered desirable. Carriers and the public are entitled to have a clear understanding of the procedures that will be followed, but Staff’s ambiguous statements fail to provide the required specificity and would thus create confusion and uncertainty for carriers and the Commission alike. By contrast, the tariff filing procedures recommended by Verizon are straightforward and provide for an efficient means by which carriers can implement any desired revenue-neutral rate changes in a timely manner.

Staff’s brief also appears to be inconsistent with the testimony of its witness that revenue-neutral rate changes “would be permissible under the *Scates* case.” In its brief, Staff states for the first time that when undertaking revenue-neutral rate rebalancing, “[t]he Company would also be required to file financial information sufficient for the Commission to make a fair value finding and a fair value rate of return finding.”⁷⁹ This is similar to RUCO’s contention that “revenue neutral rebalancing of access charges is not exempt from the fair value requirement” because it is “the changes to ‘rates and charges’ for particular services [that] triggers the fair value requirement.”⁸⁰ RUCO’s narrow interpretation of the applicable legal requirements is incorrect, particularly in this context. RUCO asserts that the Commission may not change a carrier’s rates “without company-

⁷⁹ Staff Brief at 15. Staff did not explain the legal basis for this statement or its apparent change of position.

⁸⁰ RUCO Brief at 8. RUCO objects to revenue neutral rate changes on the basis that they “may significantly increase residential rates.” *Id.* Establishing a reasonable benchmark for local exchange rates and moving rates to that level (discussed in Section VII below) will negate this concern of RUCO.

specific proceedings in which the Commission can ascertain fair value,”⁸¹ but it glosses over an essential question - fair value of what? - and fails to address what useful purpose would be served by conducting such an evaluation in connection with the rebalancing of existing rates.

As the Arizona Supreme Court has explained, in today’s competitive communications market, “there is no reason to rigidly link the fair value determination to the establishment of rates.” Rather than follow a “rigid formula,” the Court reasoned that “fair value, in conjunction with other information may be used to insure that both the corporation and the consumer are treated fairly. In this and any other fashion that the corporation commission deems appropriate, the fair value determination should be considered.”⁸² With regard to CLECs, the Commission’s current regulations do not require that CLECs provide any fair value information for changes to existing rates. Rather, a CLEC is free to make changes to existing rates as long as such changes are within the CLEC’s approved maximum rates.⁸³ If a CLEC is not able to raise retail rates in a revenue-neutral manner under its current maximum rates (or does not have maximum rates set), the Commission could allow the CLEC to file for an increase to certain maximum rates and to provide the necessary information for Staff to approve such rates. Currently, for new entrants and for revisions to maximum rates, the Commission requires some limited fair value information but does not accord the fair value information

⁸¹ RUCO Brief at 8.

⁸² *U S West Communications, Inc. v. Arizona Corporation Commission*, 201 Ariz. 242, 245-46; 34 P.3d 351, 354; 361 Ariz. Adv. Rep. 40 (2001).

⁸³ See AAC R14-2-1109.

substantial weight in its analysis.⁸⁴ The same procedure could be used in this matter and new retail maximum rates could be approved expeditiously in accordance with AAC R14-2-1110 to offset any revenue decline resulting from the reduction in access rates. For these reasons, RUCO's concerns are unfounded. Clearly, there is also no reason for the Commission to evaluate the fair value of an ILEC's property when it rebalances its existing rates. Modifying a LEC's rates in a revenue-neutral manner in conjunction with a new Commission access charge policy has no effect on the value of the carrier's property, investment or rate base in Arizona. By definition, revenue-neutral rate changes would not increase the carrier's total revenues. Rather, the purpose of rate rebalancing is to revise the ILEC's rate design in order to achieve the previously-approved revenue requirement. Significantly, RUCO and Staff do not explain what benefit or purpose would be served by conducting a fair value exercise in these situations. As part of its access reform efforts, the Commission can reasonably conclude that revenue-neutral rate changes are appropriate, reasonable and consistent with the public interest. Rate rebalancing can then take place through normal tariff filings without any need for rate cases or extensive review by the Commission. This would be consistent with Staff's testimony that making revenue neutral rate changes "outside of a rate case ... would be permissible under the *Scates* case."

⁸⁴ See, e.g., *In the Matter of the Application of Paetec Communications, Inc. – Tariff Filing for Approval of a New Administrative Charge*, Decision No. 71706 at 3 (June 3, 2010) ("Because of the nature of the competitive market and other factors, a fair value analysis is not necessarily helpful in evaluating the Company's proposed tariff change. Therefore, while Staff considered the fair value rate base information of PAETEC, it did not accord that information substantial weight in its analysis of this matter.")

VII. The Commission Should Establish a Uniform, Statewide Benchmark for Local Exchange Rates

As explained above, most parties agree that LECs should be permitted to offset access charge reductions, at least in part, by increasing the rates they charge their retail customers. Several parties recommended that the Commission establish a benchmark for local exchange service and permit ILECs to move their local rates to that level. This approach promotes the goal that carriers recover more of their costs from their end users, instead of from carriers that purchase access (and their customers). Establishing a reasonable rate that carriers can charge for local exchange service also overcomes concerns that consumers might face “[d]rastic rate increases”⁸⁵ for local service as the result of access charge reform.

The only real difference of opinion relates to the specific benchmark that should be adopted. AT&T, Qwest, Sprint and Verizon favor the creation of a single, statewide benchmark for local service (with separate benchmarks for residential and business customers).⁸⁶ Staff alone suggests that the Commission conduct separate carrier-specific proceedings and establish a different benchmark for each ILEC.⁸⁷ Staff incorrectly suggests that using a single benchmark makes no sense. Its position is based on the assumption that the circumstances of individual LECs differ, but this ignores the purpose of a local rate benchmark, which is to establish a rate that is reasonable and affordable. Because affordability is determined from the consumer’s perspective, it should not vary depending on the serving carrier. As Qwest explained, adopting a uniform benchmark is

⁸⁵ See RUCO Brief at 14.

⁸⁶ AT&T Brief at 37; Qwest Brief at 39-41; Ex. Sprint-3 (Appleby Reply) at 12-14; Verizon Brief at 68-71. Cox’s approach is similar, although it supports use of a uniform nationwide benchmark rate. Ex. Cox-1 (Garrett Direct) at 9.

⁸⁷ Staff Brief at 14.

more equitable, as it would treat end user customers in a fair and consistent manner throughout the state.⁸⁸ Use of a statewide benchmark will better advance universal service goals and provide correct economic signals, and is consistent with the manner in which the federal universal service program is operated.⁸⁹ On the other hand, implementing Staff's proposal would be unnecessarily complex and time-consuming, and cause an enormous drain on the resources of the Commission and the carriers involved.⁹⁰ For all these reasons, the Commission should reject Staff's proposal, and instead adopt a uniform statewide benchmark for local exchange rates.⁹¹

VIII. The Commission Should Reject Proposals to Offset Access Charge Reductions with Funding from an Expanded AUSF

ALECA recommends that ILECs be allowed to offset 100% of the required access charge reductions by drawing support from an expanded Arizona Universal Service Fund ("AUSF").⁹² Other than putting forth this bare-bones proposal, however, ALECA's brief does not contain any rationale or justification for converting the current AUSF into an access charge recovery mechanism that would funnel tens of millions of dollars to ILECs in Arizona each year. Moreover, because the AUSF was not designed to support access charge reform, most parties acknowledge that the Commission would have to amend the

⁸⁸ Qwest Brief at 34.

⁸⁹ See Verizon Brief at 69-70; Qwest Brief at 34.

⁹⁰ Qwest Brief at 34; Verizon Brief at 69.

⁹¹ While Verizon previously suggested that the Commission could conduct, on an expedited basis, a further proceeding to set a specific benchmark, it now agrees with other parties that, given the specific proposals of AT&T, Qwest and Sprint, the record in this proceeding is sufficiently well-developed for the Commission to adopt a statewide benchmark at this time. See Qwest Brief at 41; AT&T Brief at 5, 37-38.

⁹² ALECA Brief at 2, 6-7.

AUSF rules in a separate proceeding in order to allow the fund to serve as a replacement mechanism for access charge revenues and to establish the necessary procedures.⁹³

Verizon has explained at length why it is not necessary, and would be bad policy, to convert the AUSF into an access charge recovery mechanism.⁹⁴ Sprint and the Joint CLECs agree.⁹⁵ Qwest also cited problems with ALECA's proposal, pointing out that "merely replacing one subsidy for another, without difference in the amount of the total subsidy, does not alter the inefficiency," and that creating an access charge revenue support fund would be inconsistent with the current purpose of the AUSF "high cost" fund.⁹⁶ While AT&T's proposal would allow ILECs to recover lost access revenues through a combination of local rate increases and new AUSF funding, it agreed with Verizon that

today's unrealistically low local service rates are a barrier to competition; using the AUSF to subsidize rates at those levels would be anti-competitive and would place too heavy a burden on Arizona consumers. After all, AUSF money does not fall from the sky; ultimately, it comes from the consumers that buy telecommunications service from providers that contribute to the AUSF.⁹⁷

ALECA's brief addressed none of the concerns and arguments that have been expressed by Verizon and these other parties. Merely because its members would prefer to lock in an alternative, guaranteed source of future revenues, rather than be subject to the effects of competition, is not sufficient justification for establishing a mechanism

⁹³ Qwest Brief at 31-32; Staff Brief at 16; AT&T Brief at 6; ALECA Brief at 7.

⁹⁴ Verizon Brief at 51-67.

⁹⁵ Sprint Brief at 4, 36; Joint CLEC Brief at 16.

⁹⁶ Qwest Brief at 31-33.

⁹⁷ AT&T Brief at 37. AT&T claims that its hybrid approach (combining local rate increases with some AUSF funding "reasonably serves" the parties' different interests, but it fails to confront, let alone overcome, the fact that replacing access revenues with AUSF funds would merely perpetuate the existing inefficient and anti-competitive subsidies, albeit in a different form.

through which these firms would automatically receive the same amounts they received under prior regulatory and market conditions. There is simply no evidentiary, legal or other basis for this claim of entitlement. ALECA failed to provide any substantive rationale for the Commission to grant the extraordinary relief it seeks, and the Commission should reject its proposal to convert the AUSF into an access charge recovery program.

Furthermore, as Cox points out, permitting only one group of carriers (ILECs) to recover “lost” access revenue from the AUSF “will inevitably distort competition.”⁹⁸ RUCO also criticizes proposals to provide funding to only one class of carriers, because such an approach is not competitively neutral.⁹⁹ In responding to an argument made by Verizon that ALECA’s funding proposal is discriminatory, Staff claims there is no discrimination because there are several differences between ILECs and CLECs that “would warrant recoupment of lost switched access revenue by the ILECs but not the CLECs.”¹⁰⁰ Staff’s response misses the point of Verizon’s testimony. As Verizon explained in its brief, to serve the purpose intended by ALECA – to make the ILECs whole – an expanded AUSF must be explicitly discriminatory rather than competitively neutral.¹⁰¹ Because such an approach conflicts with the policy goal of making universal service funding competitively neutral, it cannot serve as a basis for rational policy making.

⁹⁸ Cox Brief at 13.

⁹⁹ RUCO Brief at 6.

¹⁰⁰ Staff Brief at 16-17.

¹⁰¹ Verizon Brief at 66-67.

Several parties recommend that if the Commission were to consider making AUSF funds available, no carrier should be allowed to obtain any funds unless it first demonstrates a need for any supplemental funding (after first raising its local exchange rates to an appropriate level).¹⁰² To date, no such showing has been made. Before authorizing any support, even on a temporary basis, the Commission should require any carrier seeking funding to demonstrate that it cannot recover lost access revenues by revising its retail rates, and that it cannot continue to provide basic local service to residential customers in a specific area without continuing to charge high access rates.¹⁰³

Staff acknowledges that the ILECs' costs and financial situation have not been examined in a decade, that their rates may no longer be appropriate in light of the numerous changes that have taken place in their businesses over that time, and that the ILECs' requests for funding are based only on "anecdotal statements of need." Nevertheless, Staff put forth an alternative proposal that would grant carriers "temporary" AUSF funding support that could be in effect for several years. Such relief would be provided even before the Commission reviews the company's costs and showing of need. This proposal thus directly conflicts with Staff's forceful recommendation that "there should be a demonstration of need before AUSF subsidies are provided,"¹⁰⁴ yet Staff fails to address the obvious inconsistency. Verizon and Qwest have also explained why the Staff's proposals for making AUSF support available are unsound.¹⁰⁵ As Qwest stated, Staff's proposals are administratively cumbersome, improperly dispense with the

¹⁰² Staff Brief at 10, 12 ("to receive AUSF support for lost switched access revenues, the company should be required to show that it, in fact, has no other source of funds to offset switched access rate reductions"); Sprint Brief at 37; Qwest Brief at 35, 39.

¹⁰³ See Verizon Brief at 67.

¹⁰⁴ Staff Brief at 10.

¹⁰⁵ Qwest Brief at 41-42; Verizon Brief at 61-62.

requirement to provide proof of need, and rely on the dubious proposition that the Commission can increase the permitted uses of the AUSF without amending the current rules. In contrast, setting a statewide local rate benchmark and permitting revenue neutral rate increases, as Verizon has recommended, will be easier to administer and better serve the public interest.

Finally, if the Commission declines to expand the AUSF to compensate LECs for reducing their access charges, it will not need to address the question of whether the base of contributors to the AUSF should be expanded. Qwest points out that the record on this issue is not adequately developed and that further proceedings must be undertaken before any such policy changes could be adopted.¹⁰⁶ Verizon agrees. However, Verizon would also point out the fundamental flaw in the position of ALECA that all telecommunications service providers, including wireless carriers and VoIP providers, should be required to contribute.¹⁰⁷ As contemplated by ALECA, the AUSF would be expanded and used to offset access rate reductions implemented by rural LECs. Most wireless traffic in Arizona, however, is not subject to access charges. Wireless carriers will not obtain any benefit from lower ILEC access charges, and it would be extremely inequitable to force those companies to begin subsidizing access services that they do not use.¹⁰⁸ As explained in Verizon's opening brief, requiring wireless and VoIP providers to contribute to a fund whose purpose is to provide for access charge recovery would violate

¹⁰⁶ Qwest Brief at 36.

¹⁰⁷ ALECA Brief at 8.

¹⁰⁸ The Commission should reject the Joint CLECs' request (Brief at 17) to set "default compensation rates" for certain traffic originated by wireless providers. There is no legal or other basis for this proposal. The FCC has ruled that "in the absence of a request for an interconnection agreement, no compensation is owed for termination" by a commercial mobile radio service provider. *T-Mobile Petition for Declaratory Ruling Regarding Incumbent LEC Wireless Termination Tariffs*, Declaratory Ruling and Report and Order, 20 FCC Rcd 4855, 4860-61 (2005).

the principle that Commission policies be equitable, nondiscriminatory and technologically neutral.¹⁰⁹ It would also be bad policy to, in effect, tax wireless and VoIP services and thereby chill investment and innovation.

IX. The Commission Should Not Adopt a “Flow through” Requirement.

Staff reiterates its recommendation that interexchange carriers should be required “to pass through to their end users the access charge reductions they receive.”¹¹⁰ However, the record clearly demonstrates that access charge reductions in Arizona will benefit consumers in various ways, thereby making this proposal unnecessary.¹¹¹ In addition, Staff continues to fail to come to grips with the fact that such a requirement is impractical.¹¹² Regulation makes sense only if it is workable and enforceable, yet Staff has not addressed the problems with its proposal that carriers have identified, and it has failed to show how a pass-through requirement could be implemented in today’s market, characterized by bundled service offerings, rather than stand-alone long-distance service. Absent any sound basis for adopting such a proposal, the Commission should reject it.

X. Conclusion

The Commission should immediately implement meaningful access charge reform by capping the intrastate access rates of all CLECs and ILECs at the level of Qwest’s intrastate rate. The Commission should ensure that carriers have sufficient pricing flexibility and an opportunity to recover more of their costs through their retail

¹⁰⁹ See Verizon Brief at 80-82.

¹¹⁰ Staff Brief at 15; *see also* Joint CLEC Brief at 3 (“the Commission should ensure that any reductions to access charge rates are realized by end user customers of interexchange carriers”).

¹¹¹ See Verizon Brief at 77-78; AT&T Brief at 20-22; Sprint Brief at 3-4, 8-10.

¹¹² See Verizon Brief at 78.

rates. The Commission should adopt the procedures recommended by Verizon to facilitate rate rebalancing in a timely and efficient manner.¹¹³ Lastly, the Commission should reject calls to expand the AUSF in order to accommodate access charge reform.

RESPECTFULLY SUBMITTED this 14th day of September, 2010.

LEWIS AND ROCA

A handwritten signature in black ink, appearing to read "Michael T. Hallam", written over a horizontal line.

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

Attorneys for Verizon

¹¹³ Verizon Brief at 72-77.