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BEFORE THE ARIZONA CORPORATION COMMISSION

2012 JUN 15 P 4: 31

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

JUN 15 2012

DOCKETED BY

**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

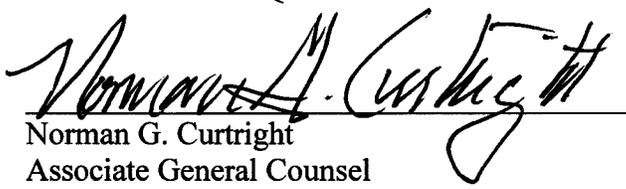
**CENTURYLINK'S REPLY COMMENTS
TO THE COMMISSION'S QUESTIONS
CONTAINED IN THE PROCEDURAL
ORDER DOCKETED ON MARCH 21,
2012**

Pursuant to the March 21, 2012 Procedural Order issued in the above-referenced consolidated dockets (the "Procedural Order"), Qwest Corporation d/b/a CenturyLink-QC ("CenturyLink") hereby submits the attached reply to the comments filed by certain parties on May 15, 2012.

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RESPECTFULLY SUBMITTED, this 15th day of June, 2012.

QWEST CORPORATION d/b/a
CENTURYLINK-QC



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Docket No. T-00000D-00-0672
Responses of CenturyLink-QC
June 15, 2012

Pursuant to the March 21 2012 Procedural Order issued in the above referenced consolidated dockets (the "Procedural Order"), Qwest Corporation d/b/a CenturyLink-QC ("CenturyLink") hereby submits its reply comments to the responses filed by several parties in this docket.

INTRODUCTION

Parties' comments have been focused on three primary areas, 1) originating access reforms, 2) logistics and methods for the access rate reductions currently being made in response to the FCC's ICC/USF Order (FCC11-161), and 3) additional recovery mechanisms.

Regarding the first issue, only AT&T recommends that the Commission undertake originating access reform at this time. CenturyLink and all other parties argue persuasively that the Arizona Commission should avoid taking any further action on originating access until the FCC concludes the Further Notice of Proposed Rule Making (FNPRM) currently investigating this same issue.

Regarding the second issue, it is important to note that separate dockets have been opened for the various LEC tariff filings made under the FCC Order for the first phase of terminating access reductions to be made effective on July 3, 2012, and those tariffs should not be dealt with in this generic access reform docket. CenturyLink's tariff filing to implement the July 3, 2012 terminating access reduction required by FCC 11-161 was made on May 21, 2012, and was docketed properly in a separate Arizona docket (Docket No. T-01051B-12-0187). A number of other dockets have also been opened to address similar tariff filings made by other

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Arizona local exchange carriers.¹ CenturyLink, has provided the associated confidential working papers to the Commission Staff, as well as to AT&T, Verizon and Sprint, under protective agreements. Therefore, AT&T's and Sprint's procedural suggestions, including AT&T's proposal regarding the protective order, are moot. In addition, the questions about the methodology used in the tariff filings, such as Sprint's questions regarding how each rate element should be addressed, are issues which are better addressed in the specific tariff dockets, with guidance from the FCC. For example, the FCC's June 5, 2012 order (DA 12-870) clarifies the intent of the FCC as to how specific rate elements are to be addressed. Discussions about specific LEC tariffs are better suited for the docket in which the tariff documents are actually filed.

Finally, CenturyLink would like to reiterate its position on the CAF Order's impact to the AUSF. Although ALECA believes the AUSF rules should be revised to provide a revenue-neutral offset for state access reductions, the FCC has already provided a revenue recovery mechanism via the Access Recovery Charge (ARC) and, therefore, there is no need to adopt additional changes to the AUSF to account for the impacts of the Connect America Fund (CAF) order at this time.

¹ See the following Dockets: Arizona Telephone Company, Docket No. T-02063A-12-0238; Frontier Communications of the Southwest, Inc., Docket No. T-20680A-12-0170; Frontier Communications of the White Mountains, Docket No. T-03214A-12-0172; Navajo Communications Company, Inc., Docket No. T-02115A-12-0171; Citizens Utilities Rural Company, Inc., Docket No. T-01954B-12-0173; South Central Utah Telephone Association, Inc., Docket No. T-01923A-12-0216; Tabletop Telephone Company, Inc., Docket No. T-02724A-12-0203; Valley Telephone Cooperative, Inc., Docket No. T-01847A-12-0212.

DISCUSSION

AT&T is the only participant in this docket who continues to recommend that the Arizona Commission can decide whether, and by how much, originating access rates should be reduced – after implementation of the FCC ordered first phase of terminating access reductions on July 3, 2012.

As described in CenturyLink's initial comments, the FCC has addressed all of the switched access rate elements for price cap carriers; therefore, there is no need for additional inquiry in this proceeding. Originating access elements are frozen for both intrastate rates and interstate rates. The FCC issued a further notice of proposed rulemaking (FNPRM) to determine what further adjustments should be made to intrastate and interstate originating rates. The FCC recognizes that originating access is fundamentally different from terminating access and that further analysis is required to determine what actions should be taken.

CenturyLink, ALECA, Cox, Eschelon and Sprint all agree that the Commission should not take further action at this time with regards to any rate elements, including originating access, where the FCC has not mandated reductions in the transformation order.² The issues before the FCC are national in scope, and states acting independently at this time could create conflicts and implementation problems. Independent state action could result in mandates that are ultimately inconsistent with FCC requirements.

² The FCC has determined that ultimately, intercarrier compensation will move to bill and keep. But the FCC has not mandated any reductions to originating access rates now, as it continues to evaluate the issue in the current NPRM.

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In considering whether to conduct further review of originating access charges, the Commission should recognize that originating access is directly related to provisioning decisions made by an Interexchange Carrier (IXC), such as: 1) initially deciding where to offer services and; 2) choosing how to reach their own customer. This is significantly different from terminating access where the IXC has no choice but to use the LEC facilities to reach the called party. Equally important is the potential impact of originating access upon retail customers. If originating access is reduced, *all* Arizona customers would bear the financial impact of local exchange carrier revenue recovery, just so that IXCs can reduce their cost of connecting to *their own* customers.

AT&T's suggestion that Arizona should move forward with originating access reform at this time because of the pending appeal of the CAF Order is unreasonable. The Commission should not commit the substantial state and industry resources that would be necessary simply to address the contingency of what may or may not happen with the appeal. As stated in our earlier comments, if the Arizona Commission were to move forward with a reduction on originating access and the FCC order is overturned, the state would then be out of synch with federal requirements and the already stretched resources of the impacted companies would be required to spend even more time reversing the reductions in tariffs and billing systems. AT&T's recommendations are premature, self-serving and would only result in harm to both the industry and the consumer.

AT&T and Sprint both suggest processes and procedures for the Commission to handle the FCC compliance tariff filings. As stated in CenturyLink's initial comments, no additional

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procedures are required to implement the CAF Order. The required changes to CenturyLink's intrastate access charges were made in tariffs and confidential work papers submitted to the Arizona Corporation Commission Staff, using the Commission's existing processes and procedures for tariff approval on May 21, 2012 in Docket No. T-01051B-12-0187. Although AT&T and Sprint have not formally intervened and are therefore not parties to that docket, CenturyLink has nevertheless provided both parties with copies of its supporting workpapers. The tariff filings and supporting materials are not part of the record in this generic docket and it is inappropriate to address them here.

The FCC has already addressed concerns raised by Sprint regarding the methodology used to reduce rates. In Order DA12-870, released on June 5, 2012, the FCC clarified that carriers are not required to reduce the level of each and every rate element in order to be in compliance with its order. Paragraph 9 of the order states, "Consistent with the above clarification, the required reductions to intrastate switched access rates may be made to any intrastate switched access rate as long as the lowered rates produce a reduction in revenues equal to the reduction required in 2012." Although Sprint feels strongly that each and every rate element be treated in this filing, the FCC order was clear that is not required for the July 3, 2012 filing.

ALECA recommends that the AUSF rules should be revised to provide a revenue-neutral offset from the AUSF for state access reductions. As stated in CenturyLink's initial comments, the CAF order does not directly impact the current AUSF at this time. The CAF Order reduces terminating intrastate access rates over time, and provides limited, partial revenue recovery for

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the reductions through an Access Recovery Charge (ARC). Based on these changes, there is no need to adopt additional changes to the AUSF to account for the impacts of the CAF Order at this time.

CONCLUSION

The Commission should not take any action on originating intrastate access charge reductions until the FCC concludes the pending FNPRM. To do so now, would be harmful to the industry as well as consumers.

It is not necessary for the Commission to put in place new and/or additional processes and procedures for review of the switched access rate reductions that become effective on July 3, 2012. Most companies have already filed their tariffs and the Commission's current processes are sufficient to allow for a thorough review.

Finally, CenturyLink would like to reiterate its position on the CAF Order's impact to the AUSF. Although ALECA feels the AUSF rules should be revised to provide a revenue-neutral offset for state access reductions, there is no need to adopt additional changes to the AUSF to account for the impacts of the CAF order at this time.