At the procedural conference held in this docket on October 14, 2003, the Administrative Law Judge asked interested parties in this docket to file written comments regarding (i) whether this proceeding should be bifurcated into two separate phases, with the access rates of Qwest Corporation considered in the first phase and the access rates of all other incumbent local exchange carriers considered in the second phase; and (ii) whether the Arizona Corporation Commission has the authority to order lower access charges in this generic docket. In response to the ALJ's request, the Arizona Local Exchange Carriers Association ("ALECA") submits the following comments.

I. BIFURCATION OF THE PROCEEDING IS APPROPRIATE

ALECA strongly urges the Commission to bifurcate this docket and proceed in two serial phases because the variables and impacts that must be addressed in considering a reduction in

1 Those members of ALECA concurring in and supporting such comments are as follows: CenturyTel, Inc., Citizens Communications (representing Frontier Citizens Utilities Rural, Frontier Communications of the White Mountains and Navajo Communications, Inc.), Fort Mojave Telephone Company, Gila River Telecommunications, Midvale Telephone Exchange, Inc., San Carlos Apache Telecommunications Utility, Inc., South Central Communications, TDS Telecom (representing Arizona Telephone and Southwestern Telephone), Tohono O'dham Utility Authority, Table Top Telephone Company, Inc. and Valley Telephone Cooperative (also representing Copper Valley Telephone, Inc.)
Qwest access rates are distinctly different than those that must be addressed in considering a reduction in the access rates of the various independent local exchange carriers. Access revenues make up a significantly higher portion of the total revenues of the independent carriers. In addition, average loop costs for the independent carriers— which serve largely rural areas in Arizona—are significantly higher than Qwest. Thus, the potential impact of access rate reductions on the independent carriers is substantially greater than in the case of Qwest—a key difference.

Moreover, in a proceeding which combines the review of Qwest rates and those of the independent carriers, the dissimilarities between Qwest and the independent carriers may not receive adequate attention. Bifurcation is necessary to focus the parties' attention on these dissimilarities in evaluating the access rates of the independent carriers.

From a more practical standpoint, the aggregation of access rates paid by interexchange carriers to Qwest is enormously higher than the aggregation of access rates paid to all of the independent carriers combined. A review of the access rates of each of the independent carriers would certainly delay a final decision on Qwest's access rates. In addition, requiring the independent carriers to participate in a consolidated proceeding, as compared to a phased proceeding, would likely require these companies to needlessly incur additional costs. For each of these reasons, ALECA strongly urges the ALJ to bifurcate this docket into two phases, with a review of the Qwest access rates proceeding in the first phase and a review of the access rates of the independent carriers proceeding in the second phase.

II. THE COMMISSION IS WITHOUT AUTHORITY TO CHANGE ACCESS RATES IN THIS GENERIC DOCKET

ALECA believes that Scates v. ACC, 118 Ariz. 531, 578 P.2d 612 (1978) prohibits the Commission from ordering a change in incumbent carrier access rates in this generic docket. Scates holds that the Commission must make a finding of "fair value" regarding a utility's rate base when setting rates and charges for service. Id. at 534, 578 P.2d 615. Since there will be no finding of fair value rate base in this generic docket, the Commission is without authority to order
a change in access rates in this docket.

However, ALECA understands the comments voiced by AT&T at the October 14, 2003, procedural conference that a general review of incumbent access rates must begin someplace, and the fact that the Commission is without authority to order changes to access rates in this generic docket should not stop the review from moving forward. As set forth above, ALECA does not object to a two-phased process (with Qwest going first) to consider generally whether the access rates of Qwest and the independent carriers should be adjusted.

III. THE COMMISSION SHOULD ADDRESS REVISIONS TO THE ARIZONA UNIVERSAL SERVICE FUND BEFORE CHANGES IN ACCESS RATES OF THE INDEPENDENT CARRIERS CAN BE ADDRESSED

As set forth above, ALECA believes that *Scates* prohibits the Commission from ordering changes in access rates in this generic docket. However, ALECA also believes that it would be a burdensome and wasteful exercise to require rate cases for each of the carriers in order to effect revisions to access rates which may be recommended as a result of this docket. Instead, ALECA submits that the Commission should complete its work in the Arizona Universal Service Fund ("AUSF") Docket (RT-00000H-97-0137) and adopt revisions to Arizona's Universal Service Fund rules which would provide a streamlined mechanism--consistent with the requirements of *Scates*--for carriers to address any revenue deficiencies caused by a reduction in access rates and revenues which may result from this docket. ALECA proposes that such revisions to the AUSF rules be completed prior to the commencement of the second phase of this docket, should the ALJ adopt a two-phased approach.

IV. CONCLUSION

For the reasons state above, ALECA urges that this proceeding be bifurcated into two phases, with a review of Qwest access rates proceeding in the first phase and a review of the access rates of the independent carriers proceeding in the second phase. ALECA also urges that the Commission complete its review and implementation of revisions to the AUSF rules before
proceeding with the second phase of this docket.

RESPECTFULLY submitted this 4th day of November, 2003.

SNELL & WILMER

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ORIGINAL and thirteen (13) copies filed with Docket Control this 4th day of November, 2003.

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