Pursuant to the Procedural Order entered in these dockets dated July 27, 2007, AT&T Communications of the Mountain States, Inc. and TCG Phoenix (collectively referred to as “AT&T”) file these comments in support of Arizona Corporation Commission (“Commission”) Staff’s recommendation to combine the Access Charge Docket (Docket No. T-00000D-00-0672) with the Arizona Universal Service Fund Docket (Docket No. RT-00000H-97-0137). AT&T supports the consolidation of the two dockets primarily because the Arizona Universal Service Fund represents an alternative revenue source for carriers impacted by access charge policy reform.

Arizona has some of the highest intrastate access fees in the country. AT&T supports reductions in intrastate access charges and believes that such reductions can be implemented in a revenue neutral manner. Excessively high access charges substantially reduce the incentive of interexchange carriers to deploy infrastructure and market their services to consumers in Arizona because the cost to provide service is artificially inflated. Also, high intrastate access fees translate into higher intrastate long distance rates charged to consumers and fewer choices being
available. Therefore, AT&T believes that a comprehensive review of the current access charge regulatory regime needs to be conducted.

Based on the language of the Procedural Order, it appears that the regulatory policies regarding the intrastate access charges for both incumbent local exchange carriers (“ILECs”) and competitive local exchange carriers (“CLECs”) will be addressed in this docket with the exception of Qwest Corporation. If that is not the Commission’s intent, the scope of the proceeding should be clarified.

Both the Access Charge docket and the Arizona Universal Service Fund docket have been pending for a substantial period of time. Since the dockets were initiated, there have been significant developments in the telecom industry, including several significant consolidations between wireline long distance and local companies. Further, and perhaps more importantly, the long distance market has become increasingly competitive as customers turn to alternative technologies such as wireless service offered by multiple providers in each major market and Internet-based alternatives including email, instant messaging and VoIP services. This changing marketplace has put substantial pressure on wireline providers to reduce long distance rates in order to remain competitive and correspondingly has driven margins down. Thus, the margins once associated with wireline long distance service, which provided an implied subsidy to support local service in the form of high access charges, are no longer available.

Given these and other changes in the industry, AT&T recommends that a procedural schedule be established that allows all parties the opportunity to submit new comments in this

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1 “Phase II of the Access Charge Docket is intended to address access charges for all other telephone companies that provide access services.” Procedural Order at p. 1.
rulemaking docket that reflect the current marketplace. Further, the parties should be given the opportunity to file reply comments to address the comments and recommendations of the other parties.

In summary, AT&T supports Staff’s recommendation to consolidate the two dockets.

AT&T recommends that a procedural schedule be established that allows the parties to submit new information reflective of the current marketplace and provides all parties the opportunity to respond to the comments and recommendations of the other participants in the consolidated docket.

As a procedural matter, please address all future filings and correspondence on this matter to:

Michael M. Grant
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Fax: (602) 530-8500
Email: mmg@gknet.com

and—

Dan Foley
AT&T Nevada
645 East Plumb Lane, B132
P.O. Box 11010
Reno, Nevada 89520
Fax: (775) 333-2175
Email: dan.foley@att.com
RESPECTFULLY SUBMITTED this 14th day of August, 2007.

GALLAGHER & KENNEDY, P.A.

By Michael M. Grant
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for AT&T Communications of the
Mountain States, Inc. and TCG Phoenix

Original and 13 copies filed this 14th day of August, 2007, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Copies of the foregoing text mailed the 13th day of August, 2007, to the
parties listed on the service list attached to the July 27, 2007 Procedural Order.