BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE REVIEW AND POSSIBLE REVISION OF ARIZONA UNIVERSAL SERVICE FUND RULES, ARTICLE 12 OF THE ARIZONA ADMINISTRATIVE CODE.

IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS.

BY THE COMMISSION:

On July 10, 2007, Arizona Corporation Commission ("Commission") Utilities Division ("Staff") filed a Motion to consolidate the above-captioned dockets.

Docket No. T-00000D-00-0672, the "Access Charge Docket," was commenced to examine the cost of access for various companies operating in Arizona. Phase I of the Access Charge Docket, addressed Qwest Corporation's ("Qwest") access charges, and was consolidated with, and resolved, in conjunction with Qwest's rate cap review. Phase II of the Access Charge Docket is intended to address access charges for all other telephone companies that provide access services.

Docket No. RT-00000H-97-0137, the "Arizona Universal Service Fund Docket" was set up to review and revise the Arizona Universal Service Fund ("AUSF") rules in Article 12 of the Arizona Administrative Code. Changes being discussed at the Federal Communications Commission ("FCC") indicate that at the federal level access charges and universal service are being linked to some degree, at least for high-cost rural areas.

By Procedural Orders dated February 12, 2008, April 23, 2008, and August 20, 2008, the Commission ordered the parties to this docket to file a matrix or list of issues and procedural
recommendations by October 7, 2008, and scheduled a procedural conference for October 10, 2008, to determine the procedures and a schedule for moving forward in this docket.


The parties have not reached a clear consensus on how to proceed in this consolidated matter. Some parties recommended the matter be suspended pending federal action. Other parties recommended setting the matter for a hearing, after discovery and pre-field testimony. Others took no position on how to proceed.

Cox believes that any substantive action in these dockets should await further action by the FCC, as there are pending dockets at the FCC concerning review of Intercarrier Compensation that Cox believes may set the stage for federal reform. Cox recommends suspending the docket until the FCC issues its Intercarrier Compensation reform order.

McLeodUSA provided its position on the identified issues, and agreed that the docket should be suspended pending resolution of the FCC docket.

XO and tw telecom recommended that the procedural schedule be held in abeyance to allow all interested parties to review the November 5, 2008, FCC order governing intercarrier compensation, and then set a filing deadline for comments on the relevance of the order. In addition, XO and tw telecom oppose examining CLEC access rates in the same proceeding that examines the rates of the Rural LECs.

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1 Cox cites the following FCC dockets: In the Matter of Universal Service Contribution Methodology, WC Docket No. 06-112; In the Matter of High-Cost Universal Service Support and Federal-State Joint Board on Universal Service, WC docket 05-337, CC Docket 96-45; In the Matter of Developing a Unified Intercarrier Compensation Regime, WC Docket No. 01-92; In the Matter of Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99068; and In the Matter of Access Charge Reform, CC Docket No. 96-262.

2 At the time XO and tw telecom filed their recommendations, the FCC had not yet issued its order in Docket CC 96-98.
AT&T states that changes in the telecommunications marketplace have transformed access charge reform from an important need to an urgent one, as in AT&T's view the "unreasonably high" access charges of some carriers are distorting competition in the telecommunications marketplace. AT&T argues the Commission should not wait to correct the problem. Procedurally, AT&T believes that the Commission and parties would benefit from having more definite information based on actual data, and proposed, therefore, that Staff issue a data request to all parties which seeks actual carrier-specific data. AT&T proposes that parties should be given 30 days to provide the requested information to Staff and that the information be treated as proprietary and confidential, and that the Administrative Law Judge issue a protective order for the proceeding. AT&T proposed too that parties have 15 days from the date the Staff receives the requested information to propound additional discovery on other parties. Thereafter, AT&T proposed the parties should file direct testimony 60 days after Staff has notified the parties that it has received carriers' responses to the data responses, and Reply testimony should be due 30 days thereafter, with a hearing set to commence within 30 days.

Verizon believes that the Commission should require testimony and a hearing on all contested issues.

ALECA provided its position on the nine substantive issues and recommended that the issues be further narrowed and addressed through a combination of workshops and evidentiary hearings.

Integra set forth its position on the identified issues, but took no position on how to proceed to resolve the issues.

RUCO submitted a list of outstanding issues, but did not include its position thereon and did not make a procedural recommendation.

At the October 10, 2008 Procedural Conference, Staff recommended that if the Commission determines to wait to see what the FCC does with respect to intercarrier compensation, that the parties spend some time determining, in light of the scope and breadth of the identified issues, the best means to proceed. For example, should the Commission proceed with a rulemaking, and/or should there be some process before any rulemaking commence? Staff believed that until it can be
determined what type of proceeding would be appropriate; it would be premature to establish a
procedural schedule.

At the October 10, 2008 Procedural Conference, the parties agreed that having a Protective
Order in place would facilitate the process and allow for the exchange of information. Staff agreed to
review its standard recommended Protective Order to determine if any “tweaks” to it would be
required for it to be effective in this case.

There are a number of issues that the parties have identified as relevant to this proceeding.
Until the Commission determines how best to address those issues, whether it be in a rulemaking or
evidentiary hearing, or some other proceeding, it does not make sense to establish a procedural
schedule. Since the October 10, 2008 Procedural Conference, the FCC has issued at least one order
affecting intercarrier compensation. Thus, prior to setting a procedural schedule, another Procedural
Conference will be set with the goal of determining the most efficient way to approach the specific
issues that have been raised (e.g. rulemaking, workshops, evidentiary hearing, etc.). Addressing the
various issues may require more than a single process or a combination of processes. At that time,
the parties should be prepared to recommend specific process(es) for resolving the various issues. In
addition, prior to such Procedural Conference, Staff should file a proposed form of Protective Order
to govern in this proceeding, and parties should be prepared to comment on that proposed Protective
Order at the Procedural Conference. The parties are encouraged to discuss the process in an attempt
to present a joint proposal for moving forward.

IT IS THEREFORE ORDERED that a telephonic Procedural Conference for the purpose of
determining the procedures and a schedule going forward shall commence on January 28, 2009, at
10:00 a.m., or as soon thereafter as is practical, at the Commission’s Tucson offices, Room 218, 400
West Congress, Tucson, 85701. The parties should contact the Hearing Division at (602) 542-4250
in the week prior to the Procedural Conference to determine the procedures participating
telephonically.

IT IS FURTHER ORDERED that Staff shall file a proposed form of Protective Order in
these dockets by January 15, 2009.
IT IS FURTHER ORDERED that the parties shall file comments on the proposed Protective Order and their procedural recommendations by January 23, 2009.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

DATED this 19th day of December, 2008.

[Signature]
JANE L. ROODBA
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed this 19th day of December, 2008 to:

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

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

Reed Peterson
Qwest Corporation
20 East Thomas Road
16th floor
Phoenix, Arizona 85012

Michael W. Patten
Roshka Dewulf & Patten, PLC
One Arizona Center
Phoenix, AZ 85004
mpatten@rdp-law.com
Attorneys for Cox Arizona Telecom, LLC
Attorneys for McLeodUSA

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

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

Isabelle Salgado
AT&T Nevada
645 E. Plumb Lane, B132
PO Box 11010
Reno, NV 89520
dan.foley@att.com
ge1831@att.com

Joan S. Burke
Osborn Maledon, PA
2929 North Central Avenue, Suite 2100
Phoenix, AZ 85012
jburke@omlaw.com
Attorneys for Time Warner Telecom
Attorneys for XO Communications

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

Dennis D. Ahlers
Associate General Counsel
Eschelon Telecom, Inc.
730 Second Avenue, Suite 900
Minneapolis, MN 55402
ddhahlers@eschelon.com
DOCKET NO. RT-00000H-97-0137 ET AL

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

Thomas Campbell
Michael Hallam
Lewis and Roca LLP
40 North Central
Phoenix, Arizona 85004
tcampbell@lrlaw.com *
mhallam@lrlaw.com *
Attorneys for Verizon

Rex Knowles
Executive Director – Regulatory
XO Communications
Suite 1000
111 E. Broadway
Salt Lake City, UT 84111
Rex.knowles@xom *

Charles H. Carrathers, III
General Counsel, South Central Region
Verizon, inc.
HQE03H52
600 Hidden Ridge
Irving, Texas 75015-2092
chuck.carrathers@verizon.com *

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

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

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

* Parties marked with an “*” have agreed to accept service electronically.