BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES – Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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

DOCKET NO. T-00000D-00-0672

NOTICE OF FILING

Sprint Communications Company, L.P., Sprint Spectrum, L.P. and Nextel West Corp, hereby provide notice of filing the Testimony Summary of James A. Appleby in the above-referenced matter.

Dated this 15th day of March, 2010.

By

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this 15th day of March, 2010, to:

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BEFORE THE ARIZONA CORPORATION COMMISSION

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DOCKET NO. RT-00000H-97-0137

DOCKET NO. T-00000D-00-0672

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

TESTIMONY SUMMARY

OF

JAMES A. APPLEBY

ON BEHALF OF
SPRINT COMMUNICATIONS COMPANY, L.P., SPRINT SPECTRUM, L.P. AND NEXTEL WEST CORP

March 15, 2010

317992;ssw;23194-0001
Summary of Direct Testimony.

Switched access is a monopoly service. All carriers that compete against LECs in the retail market must use switched access to terminate non-local calls to the LECs' customers. This includes traffic originated by wireless providers who pay terminating access on wireless calls to landline customers when such calls cross Metropolitan Trading Area ("MTA") boundaries. Wireless carriers, however, do not collect access charges on toll calls received from other carriers, including the LECs. Carriers cannot compete on an equal footing with LECs if the LECs are permitted to impose on their competitors input costs that are far above the actual cost of providing those functions.

Access prices were historically inflated as a mechanism to subsidize the price of basic local service in a regulated monopoly setting. But this interplay between local service rates and intrastate access services rates was established long before LECs developed the ability to collect revenues from numerous other services provisioned over the same network on which they provide local exchange and exchange access services. The LECs, within their service territories, now offer wireline long distance, numerous new calling features, broadband and video entertainment services. These services are often bundled together to provide the consumer’s complete service needs. The average revenue per customer the LECs collect continues to expand. The historic trend of retail revenue growth and the potential for further growth in the future makes the collection of subsidies from competing carriers in the form of grossly inflated access rates unnecessary and anti-competitive. The LECs can and should collect the costs of providing retail services from the customers purchasing those retail services instead of collecting a portion of those costs from competitors by charging inflated rates for monopoly switched access. This change is essential to developing a level competitive playing field for all service providers.

Sprint recommends that all LECs operating in Arizona be required to set their
intrastate switched access rate and structure for each individual access element equal to
the equivalent interstate switched access rate and structure.

**Summary of Reply Testimony.**

Almost all parties to the proceeding believe that intrastate access reform is needed. Consumers will benefit if the Commission authorizes another step toward a fully competitive telecommunications market. All LECs, incumbent and competitive, should have their intrastate switched access rates and rate structure set equal to their equivalent interstate rates and structure. ILECs should be permitted to increase their basic local service rates up to a state-wide benchmark rate to recover lost access revenues. If the Commission believes some additional access subsidy recovery is necessary beyond the local rate increases, ILECs should be permitted to recover the lost access subsidy on a per line basis from the Arizona Universal Service Fund ("AUSF") on residential lines only when the customer purchases standalone basic local service from the ILEC. The ILEC’s bundles of retail services that can now be provided on the local network provide sufficient opportunity for the ILECs to recover the lost access subsidies on those bundle customers. The ILECs should be permitted full retail rate flexibility for bundled services if they do not already possess that regulation freedom. To keep the remaining subsidy competitively neutral, a non-incumbent carrier should be permitted to collect the same level of subsidy the ILEC receives for serving a residential customer with only local voice service at the local service benchmark rate.

**Summary of Rejoinder Testimony.**

Sprint has not changed any of its policy positions articulated in my previous two testimonies. We still believe reform of switched access charges is essential to the development of a fully competitive market. Consumers will benefit if the Commission authorizes another step in the transition. All LECs, incumbent and competitive, should have their intrastate switched access rates and rate structure set equal to their equivalent
interstate rates and structure. Failing to reform or even delaying reform for one LEC, such as Qwest, or group of LECs, such as CLECs, harms Arizona consumers. Postponing the decision to reform the access rates of one LEC or a group of LECs to another proceeding creates duplicative processes and utilizes more of the Commission’s limited resources than is necessary. The economic and public policy reasons to control LEC switched access rates at a certain level applies equally to all carriers in the Arizona markets. A uniform policy applicable to all LECs should be the outcome of this proceeding.