BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

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.

DOCKETED

Docket No. RT-0000H-97-0137
Docket No. T-00000D-00-0672

FURTHER REPLY COMMENTS OF AT&T
IN RESPONSE TO MAY 16, 2012 PROCEDURAL ORDER

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In accordance with the May 16, 2012 Procedural Order, AT&T submits these Reply Comments regarding the implications of the FCC’s November 18, 2011 CAF Order.  

In its opening comments, AT&T addressed the FCC’s order and provided its response to the specific questions raised by the Commission. AT&T’s responsive comments addressed comments filed by other carriers. These previous filings have already addressed the issues discussed in the responsive comments submitted by Staff and the other carriers. AT&T will not repeat that discussion here, but instead will focus briefly on a few key points.

First, AT&T agrees with Staff that there is no need to address the issue of carrier-specific access contracts (Question No. 4) because “the CAF Order specifically allows and indeed encourages carriers to enter into contracts for the provision of access service.” Second, AT&T also agrees with Staff that there is no need to address revisions of the AUSF rules (Question No. 5) at this time.

However, with respect to the Commission’s supervision of the July 1, 2012 terminating access reductions ordered by the FCC, AT&T is concerned that if LECs do not provide the data supporting those reductions to Staff (Staff recommends against such filings), the process of supervision and implementation will, in the end, be more complex and contentious than it needs to be. That said, AT&T does appreciate Staff review of tariff changes in the various carrier-specific dockets at whatever level.

The remaining issue before the Commission – and, by far, the most important for Arizona consumers – is what to do about the rate elements the FCC’s order left open, namely originating

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2 Id. Comments, at 2.
3 Id.
switched access. The question that should guide the Commission in making that decision is simple: What would be better for Arizona consumers?

The answer is clear. AT&T proposes that the Commission direct all Arizona LECs (AT&T included) to reduce their originating switched access rates for intrastate calls to parity with their corresponding interstate rates. The evidence in this record – now reinforced by the FCC’s order – confirms that access reform will benefit consumers. For now, all AT&T recommends is that the Commission look at this modest proposal, particularly given all the evidence that has already been assembled in this five-year-long proceeding.

The alternative proposal, supported by other LECs and by Staff, is to do nothing and close the docket. Obviously, doing nothing would not benefit Arizona consumers. It could not possibly benefit Arizona consumers. Thus, none of the do-nothing advocates even claim there are any benefits to their proposal and the bulk of their arguments have nothing to do with consumers’ interests.

Staff contends (at 1) that the Commission should not take any action “[u]ntil the jurisdictional issues are sorted out.” But, there are no issues to sort out with respect to this Commission’s jurisdiction over intrastate originating access rates. The Commission has unquestioned authority over those rates. The Commission (and some others) have questioned the FCC’s jurisdiction to preempt state authority over intrastate rates, but the FCC has not acted with respect to originating access and it certainly has not preempted the states from doing so. To the contrary, the FCC expressly preserved state action and took pains to say that “[t]o the extent that states have established rate reduction transitions for rate elements not reduced in this Order” (and everyone agrees that originating access rate elements were not reduced in the CAF Order),
“nothing in this Order impacts such transitions.” Further, the FCC made clear that its order does not “prevent states from reducing rates on a faster transition provided that states provide any additional recovery support that may be needed.”

Moreover, the ongoing appeals regarding the FCC’s authority point out the central paradox in Staff’s argument. Outside this proceeding, this Commission is saying that it alone, and not the FCC, can act on intrastate switched access rates. Given that position, it would make no sense for the Commission to say it will not act on intrastate originating access rates and instead wait for the FCC to act. Likewise, it makes no sense for this Commission to do nothing for Arizona consumers, because the FCC might do something someday about intrastate originating access rates.

CenturyLink also misses the point when it argues (at 4) that AT&T seeks originating access reform “because of the pending appeal of the CAF Order” or “to address the contingency of what may or may not happen with the appeal.” That is not true. AT&T seeks originating access reform for the same reason it has advocated reform throughout this proceeding: because the overwhelming weight of the evidence in this docket (now bolstered by the FCC’s findings in the CAF Order) shows that reform will benefit Arizona consumers. The FCC’s order gives this Commission more reason to act on originating access. It expressly permits and indeed invites states to act on originating access. Further, by taking care of recovery mechanisms for terminating access reductions at the federal level, the FCC has made it much easier for this state to implement originating access reductions.

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4 Id., ¶ 816 n.1542.
5 Id.
6 Id.
The Commission should also reject CenturyLink’s baseless assertion (at 4) that “the state would . . . be out of synch with federal requirements” if it adopted originating access reform. The reality is exactly the opposite. Right now, Arizona is way out of synch with federal requirements. CenturyLink and other Arizona LECs charge much higher originating access rates for in-state calls than they do for interstate calls. In addition, Arizona is even farther out of step with the FCC’s ultimate goal that originating access move to a bill-and-keep framework.

AT&T’s proposal is that Arizona put itself in synch with federal requirements by directing LECs to reduce their intrastate originating access rates to parity with the corresponding interstate rates. If CenturyLink truly wanted Arizona to be in synch with federal requirements, it would be supporting AT&T, rather than trying to preserve the existing disparity between state and federal rates.

Finally, it is stunning that CenturyLink would now try to re-argue the merits of access charge reform. Over a decade ago, this Commission found that access reductions would benefit Arizona consumers. And after five years of assembling evidence in this proceeding, virtually all parties (including CenturyLink) agreed that access reform would benefit consumers. The FCC reached the same conclusion, holding that reform of terminating access alone would bring “pro-consumer, pro-innovation” relief in excess of $1.5 billion a year (and that is a conservative estimate). Yet now, CenturyLink makes the baseless claim (with no evidentiary support) that “if originating access is reduced, all Arizona customers will bear the financial impact of local exchange carrier revenue recovery, just so IXCs can reduce their cost of connecting to their customers.”

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CAF Order, ¶ 14.

CenturyLink Comments, at 4.
CenturyLink's assertion is wrong on multiple levels. Most importantly, CenturyLink ignores the fact that today Arizona customers already bear the financial impact of LECs' access charges – not only because they pay more for long-distance and wireless service, but also because they bear the brunt of reduced innovation, distorted competition and wasteful arbitrage that the access charge regime has caused. The point of access reform is to give consumers relief from these hidden costs.

Second, the benefits of access reform are not limited to IXCs, as CenturyLink asserts. Elementary economics tells us – and history has shown time and time again – that when IXCs "reduce their cost of connecting to their customers," consumers are the beneficiaries, because retail prices go down and competitive choices go up. Staff acknowledged in its pre-filed testimony that "[a] reduction in toll rates is a benefit" of access reform.

Third, as AT&T has explained in previous comments, CenturyLink's professed concern about "the financial impact of local exchange carrier revenue recovery" is unfounded, because the revenue recovery for originating access reform is likely to be small now that the FCC has already shouldered the burden of revenue recovery for terminating access reform at the federal level. Further, CenturyLink has not provided any evidence as to what "impact" such "recovery" would have. Again, all AT&T asks is that the Commission consider the benefits of originating access reform.

CONCLUSION

For the reasons set forth in AT&T's initial and responsive comments, the Administrative Law Judge should issue a procedural order after the review and implementation of the

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9 CAF Order, ¶ 9.
10 AT&T-1 (Aron Direct, Public), at 58-67 & Figs. 5, 6.
11 S-1 (Shand Direct, Public), at 12.
terminating access reductions are complete, soliciting comments from the parties on their proposals for originating access reforms.

RESPECTFULLY SUBMITTED this 2nd day of July, 2012.

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