BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF APPLICATION OF QWEST CORPORATION D/B/A CENTURYLINK-QC ("CENTURYLINK") TO CLASSIFY AND REGULATE RETAIL LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES AS COMPETITIVE, AND TO CLASSIFY AND DEREGULATE CERTAIN SERVICES AS NON ESSENTIAL	) DOCKET NO. T-01051B-11-0378

DIRECT TESTIMONY
OF
PATRICK J. QUINN
ON BEHALF OF
RUCO
MARCH 16 2012

PUBLIC VERSION

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I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Patrick J Quinn. My business address is 5521 E Cholla St Scottsdale, Arizona 85254. I am the managing partner of Quinn and Associates, LLC a consulting firm retained by the Residential Utility Consumer Office ("RUCO") in this docket.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I have a Bachelor of Science degree in Mathematics (1976) and a Master of Business Administration (1977) from the University of South Dakota. I began my 30 year career working for the Bell System at Northwestern Bell in Omaha, Nebraska in 1977. I have held various management positions including but not limited to pricing, budgets, regulatory and public policy. See Exhibit 1, which provides greater details of my work history. I have testified over fifty times in numerous states, including Arizona, Minnesota, Iowa, Nebraska, North Dakota, South Dakota, and Wyoming. Throughout my career, I have developed and implemented regulatory policies and provided expert testimony on alternative forms of regulation, competition, access charges, depreciation, exchange sales, revenue requirements, rate design and other related issues.

Additionally, I believe I bring a unique perspective to this docket being previously employed as Director Regulatory Affairs for Arizona from 1990 until 1993 and President of Qwest Arizona from 2002 until my retirement in 2008. I have been involved in regulatory issues in Arizona for 20 years and have a deep understanding on how the telecommunications landscape has evolved.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE ARIZONA CORPORATION COMMISSION ("COMMISSION")?

A. Yes. I have testified before this Commission several times since 1991. My testimony has covered topics including rate case settlements, revenue requirement, competition, policy, products and pricing, service quality and other related telecommunication industry issues.

II. INTRODUCTION

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. As a representative of RUCO whose primary function is to protect and represent the residential consumers of Arizona in Utility cases, I will be limiting my testimony to the effects of CenturyLink's Application on residential customers. As part of my testimony, I will depict the current state of competition in Arizona for the telecommunication industry. Furthermore, I will include RUCO's recommendation of whether CenturyLink used the proper methods in determining whether certain residential services should be reclassified to competitive Basket 3 or to be deregulated entirely. Part of this determination will be whether CentryLink has met their burden of proof in establishing the reclassification. I will also discuss rate deaveraging; the importance of this concept and why it needs to be addressed in this Docket by the Commission. Finally, I will describe general concerns RUCO has with the Application and will make recommendations on what appropriate action the Commission should take to protect residential customers of Arizona.

III. ANALYSIS OF COMPETITIVE CLASSIFICATION

1. PRICE CAP PLAN

Q. HOW FAMILIAR ARE YOU WITH CENTURYLINK PRICE CAP PLAN BASKET APPROACH?

A. I am very familiar with the Plan. During the development of the original Price Cap Plan I was working in the Public Policy group for CentryLink's predecessor, Qwest, at its former corporate headquarters in Denver. One of my main responsibilities at that time involved developing and implementing regulatory plans and strategies. I helped design and develop the original Price Cap Plan ("Plan") for Arizona. In 2002, I returned to Arizona as President of Qwest Arizona and was involved with all of the filings at the Commission including signing the settlement in Docket NO. T-01051B-03-0454, Decision NO 68604. The series of Price Cap Plan filings were designed by Qwest as a method to transition from a monopoly into a competitive market under Commission oversight. Included in the process was a plan to separate competitive services from non-competitive services based on the telecommunication industry opening up to competition. The plan was created to allow changing market conditions to be taken into account so that as products and services became competitive they could be moved from one basket to another and allow more regulatory freedom for Qwest and now CenturyLink. However, minimal movement of services and products occurred from the plan's approval in March of 2001 until today. There were slight modifications to the Price Cap Plan in 2005, but the framework essentially remained the same even though market conditions have changed dramatically.

CenturyLink's Application significantly differs from the original framework by moving most residential products and services from Basket 1, Hard Capped Retail Services, and Basket 2, Limited Pricing

Flexibility Retail Services, to Basket 3, Flexibly-Priced Competitive Services. Additionally they are moving most services currently in Basket 3 to total deregulation[1]. The Application does not request any changes in the Wholesale Basket 4 which contains switched access, wholesale interconnection services (including UNES) and Public Access Line (PAL) service.

2. COMPETITION IN THE TELECOMMUNICATION INDUSTRY

Q. HAS COMPETITION IN THE TELECOMMUNICATIONS INDUSTRY IN ARIZONA CHANGED SINCE THE ADOPTION OF THE PRICE CAP PLAN IN 2001?

A. Yes. With the passage and implementation of the Telecommunications Act of 1996, the market in Arizona started to move from a predominantly monopolistic environment to the very competitive environment that exists today. Many competitors, including wireless, cable, competitive local exchange companies (CLECs) and other VOIP providers have entered the consumer voice market through different means. The vast majority of the loss of access lines and related services for CenturyLink can be attributed to the increase in wireless and cable competition. According to Mr. Brigham's testimony[2] CLECS and other VOIP competitors account for less than [begin confidential] ***XX***% [end confidential] of the total market. His testimony[3] further states that [begin confidential] XX% [end confidential] of customers have no voice option.

[1] Basket 3 allows for rate changes on services to utilize the streamlined rate treatment pursuant to R14-2-1110 which includes some Commission oversight. The deregulation classification removes the services from all regulation by the Commission according to A.R.S. 40-281(E). Both fundamentally change the way rates are set.
[2] Direct Testimony of Robert H. Brigham on behalf of CenturyLink January 25, 2012, page 19, lines 8 - 9.
[3] Brigham at 19, line 11.

One of the major developments that contributed to the loss of access lines was the explosion of the wireless phone market. Mr. Brigham's testimony[4] estimates that currently, wireless only customers are [begin confidential] XX% [end confidential] of the voice market in Arizona. Wireless only customers are defined as customers that have "cut the cord" and no longer have wire line services. Presently, there are still many customers that have both wireless and wire line service. In the late 1990's it was hard to imagine the extent of this explosion and the impact on the telecommunication industry and on how people communicate. According to the FCC, wireless connections have grown at a rate of 143% since 2001 and there are 5.3 million cell phones in Arizona compared to 2.7 million wire line connections. In 2001, there were 2.1 million cell phones and 2.8 million wire line connections. Cell phones in my opinion are not only a substitute for wire line but they offer many advantages over wire line service. Besides the obvious benefit of added mobility, they have popular custom calling features, can be used to connect to the internet and offer an exponentially increasing number of custom applications that are not available to the basic wire line provider. Associated with the wireless phone explosion is the number of individuals that have cut the cord and have no wire line service. The National Center for Health Statistics estimates that 31.6% have already "cut the cord" and the number continues to grow.[5] This demonstrates how the market is changing and consumer's expectation of basic telephone service is evolving.

Historically, after moving to a new house, the first thing one did was to have your telephone connected so that all your other services could be ordered and checked. Now many people simply use their cell phones and are more concerned about high speed internet and video being at their new address, than a

[4] Brigham's Testimony page 19, line 10.
[5] Brigham at 49, line 7.

wire line phone. In my own immediate family we have 8 people, 6 households, 9 cell phones and 2 wire lines. One of the wire lines is designated specifically for high speed internet and faxes and the other is because I cannot let go of the past. In 2000 approximately 96% of households in Arizona had wire line services, while today only 64.7% have wire line services.[6] Wireless service is a major competitor for the residential consumer voice dollar.

As aggressive as the wireless providers are in pursuing the residential voice consumer, the cable companies are just as aggressive adding voice services to their video and high speed internet product offerings. The added benefit of bundling those services together has provided significant competition to CenturyLink services. Cable companies overlap the majority of CenturyLink's service territory covering 88% of their wire centers according to Mr. Brigham's testimony[7], and account for [begin confidential] XX% [end confidential] of the consumer voice market as stated by Mr. Brigham in his testimony.[8] Cable companies' products and services are clearly substitutes for CenturyLink's products and compete directly for residential customers. For a variety of reasons the telecommunication market in Arizona appears to be very competitive overall. However, while the overall market is competitive there remains a significant portion of the residential consumer market that needs further examination to determine if competition in the residential consumer market actually exists.

[6] U.S. Census Bureau, Housing and Household Economic Statistics Division Last revised October 31, 2011. http://www.census.gov/hhes/www/housing/census/historic/phone.html. Last visited February 2012. (According to the Census Bureau, 3.7% of homes did not have telephones in Arizona in 2000). 64.7% was determined by subtracting the number of homes with access in 2000 (96.3%) minus the number of customers who have "cut the wire" 31.6% by 2011.
[7] Brigham at 25, line 1.
[8] Brigham at 19, line 7.

Q. WHAT PARTS NEED TO BE EXAMINED FURTHER?

A. CenturyLink paints a compelling picture as to the competitiveness of telecommunications in its service territory in Arizona. CenturyLink's approach, however, relies on a broad brush high level evaluation of statewide competition to justify the competitive reclassification on many of its services. CenturyLink has provided little evidence of competition for basic residential service by wire center that contains an analysis of what competitors are actually offering in the way of services to residential consumers. Most of the information and evaluation centers on the mere existence of competitors by wire center and what products they might offer. By failing to break up the market into distinct geographic areas, the testimony fails to address what competitors or services are available to rural areas and other areas with low population densities. Large metro areas, like Phoenix and Tucson, have access to competitor services, but the question remains as to what opportunities other areas may have for competitive services.

Q. PLEASE DESCRIBE WHAT YOU MEAN BY A BROAD BRUSH APPROACH?

A. By broad brush I mean that CenturyLink has used statewide and service territory numbers to demonstrate the presence of competition in their entire service territory. CenturyLink has shown a significant amount of residential access line loss since 2001, a large number of competitors present by wire center and a breakdown of the percentage of residential access lines that each competitor controls in the current market. From December of 2001 to December of 2010, CenturyLink has lost 61% of its residential access lines according to Mr. Brigham's testimony.[9] It is apparent that there is significant competition and alternatives available to residential customers in the Phoenix and Tucson Metros and

[9] Brigham at 12, footnote 4.

other large cities. Unfortunately, there is little information to show how overall competition numbers relate to residential services provided in smaller communities or wire centers.

When trying to determine alternative service providers for residential customers in the less populated areas, it is unclear whether the competition claimed by CenturyLink in some areas outside of the major metros is for business customers, residential customers or both. CenturyLink admits, in its Application[10], and in Mr. Brigham's testimony[11] that not all customers have competitive options. Mr. Brigham testifies[12] that [begin confidential] XX% [end confidential] of residential customers have no voice option. CentryLink's response to a RUCO Discovery Request claims someone must be covering them, but does not specify who or offer any evidence to show coverage.[13] In fact, CenturyLink relies on the number and presence of competitive service providers by wire centers and not actual competition or market share statistics. Nor does CenturyLink provide any information on what services are actually being provided to residential customers. It appears that CenturyLink's theory is that if there is any kind of competitor in a wire center then a residential customer has an option to get service from an alternative provider.

Additionally, CenturyLink has utilized the high degree of competition statewide to reach a broad and sweeping conclusion that competition must exist in every wire center even in the lower density areas. In order to address the potential effects of Centurylink's Application on residential ratepayers in lower density areas, the analysis needs to be broken down onto a service by service, wire center by wire center

[10] CenturyLink Application Docket NO. T-01051B-11-0378 page5, line 20.
[11] Brigham at 5, line 24.
[12] Brigham at 19, line 11.
[13] Quinn Exhibit 2, response # 6.

basis. CenturyLink has performed a very limited service by service analysis. CenturyLink's analysis is limited even for the large services like basic residential voice service.

CenturyLink's position is that Arizona has a very robust competitive telecommunications environment and most, if not all of their products in Basket 1 should be moved to Basket 3. In [begin confidential] confidential RHB-3, XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX [end confidential]. From the current information, it is difficult to determine what CLECs' are actually offering in the way of residential services in each of these wire centers. As stated earlier in my testimony, only a small percentage of all customers are serviced by a CLEC or a VOIP provider. Most competition comes from cable and wireless. Getting details at the wire center level by competitor is difficult and there is limited available information about which competitors are offering residential services by wire center in rural areas. This lack of data creates a problem in determining how many residential customers in rural areas of Arizona have real competitive alternatives. If competitive alternatives do not exist, CenturyLink should not be granted competitive classification for those locations, unless safeguards are put into place to protect consumers from unwarranted prices.

At issue is not whether the overall Arizona market is competitive as CenturyLink frames it. The question is whether all residential customers affected by this reclassification of residential services to the competitive Basket 3 have affordable competitive options available in CenturyLink's service territory. If not, what safeguards should be put in place to protect them?

3. *ANALYSIS OF PROPOSED RECLASSIFICATION*

Q. WHAT SERVICES IS CENTURYLINKPROPOSING TO MOVE TO THE COMPETITIVE BASKET 3?

A. Exhibit 3, the CenturyLink's Revised Attachment A, shows the services that the CenturyLink is proposing to move and identifies the Basket where they currently reside. Residential services are designated with an R in the right hand column of the exhibit. The vast majority of services (22 of 31) are residential with the largest number of affected customers in E.5.2.4 Flat Rate Service Primary Line and E5.7.1 Listing Services.

Q. IS THERE A PROCESS ESTABLISHED FOR CENTURYLINKTO MOVE RESIDENTIAL ESSENTIAL NON-COMPETITIVE SERVICES FROM BASKET 1 AND 2 TO COMPETITIVE BASKET 3?

A. Yes. The method for CenturyLink to move services from Basket 1 and 2 to competitive Basket 3 was established in the original Price Cap Plan Decision NO. 63487, (page 6, lines 11 and 12). The method can be found in Arizona Administrative Code R14-2-1108 and Mr. Brigham utilized that method to develop his data to justify the services being moved to competitive Basket 3.

Q. WHAT PART OF R14-2-1108 DID MR. BRIGHAM USE TO DEMONSTRATE THAT THE SERVCES SHOULD BE MOVED TO THE COMPETITIVE BUCKET?

A. Exhibit 4 is the full text of Arizona Administrative Code R14-2-1108. Mr. Brigham relied upon Section B that describes the six conditions that have to be met in order to get a service declared competitive.

Q. DID YOU EVALUATE MR. BRIGHAM'S ANALYSIS OF THE DATA HE USED TO DEMONSTRATE THAT CENTURYLINK MET THE REQUIREMENTS OF R14-2-1108?

A. Yes I did. I evaluated his analysis based on CentryLink's filings and discovery responses, my years of regulatory experience as a former employee of Qwest and its predecessors, and my understanding of R14-2-1108.

Q. DO YOU AGREE THAT ALL SIX (6) CONDITIONS OF R14-2-1008 HAVE BEEN MET?

A. I have verified many of the statistics that Mr. Brigham relied upon to perform his analysis. The data he relied on is accurate, but does not provide a complete analysis. As I stated earlier, I believe that the data shows the existence of a highly competitive overall telecommunications market in Arizona, but that does not equate to a competitive alternative for every customer in CenturyLink's service territory. Mr. Brigham paints a picture of massive residential access line loss by CenturyLink since 2001 and numerous competitors of all types positioned to capture customers throughout CenturyLink's service territory. It is not clear however, whether the competitors for any given rural or low density area are providing services for business, residential or both. There are a few places as acknowledged by CenturyLink where residential customers may not have any alternative provider for basic service. Although this situation exists, this should not be an impediment to the Commission's approval of reclassifying the residential services to the competitive Basket 3 as long as safeguards are put in place and rate deaveraging is permitted.

4. RATE DEAVERAGING

Q. YOU MENTIONED RATE DEAVERAGING. WOULD YOU DEFINE WHAT YOU MEAN?

A. Rate deaveraging is a method of determining rates based upon geographical difference, cost to provide service or some other variable like distance from the serving wire center that distinguishes between customers.

Q. IS THE ISSUE OF RATE DEAVERAGING A THRESHOLD ISSUE IN THIS CASE? IF SO, WHY?

A. Yes – I believe it is. The Commission should decide this very important question prior to granting CenturyLink's Application otherwise the Commission will be putting the cart before the horse. If

CenturyLink is not allowed to deaverage and must charge the same rates for different areas, then what is the point of moving the residential services to competitive other than a more streamlined way to change rates? CenturyLink would not lower its rates in one area to match competitors because that would then require them to lower their rates throughout the state. On the other hand, if CenturyLink is allowed to deaverage, what safeguards should be put in place to protect areas where little or no competition exists? The issue of deaveraging is a paramount concern to the resolution of this matter.

Q. HAS CENTURYLINK PROPOSED RATE DEAVERAGING IN ITS APPLICATION?

A. No. CenturyLink did propose it in the previous Price Cap Plan Docket NO. 68604, but it was withdrawn and not included in the final settlement order. In response to a RUCO Discovery Request, CenturyLink stated, "The competitive rules do not require uniform statewide rates."[14] That statement leads to the conclusion that CenturyLink does not believe it needs to apply for rate deaveraging once the services are moved into the competitive Basket 3.

Q. DO YOU AGREE WITH CENTURYLINK ON THEIR INTERPRETATION THAT, "THE COMPETITVE RULES DO NOT REQUIRE UNIFORM STATEWIDE RATES?"

A. I am not an attorney and believe this requires a legal analysis. However, as stated above, I believe that the Commission, prior to deciding the competitive issue, should make a determination in this docket, on whether CenturyLink has the ability to rate deaverage by virtue of reclassifying services to the competitive Basket 3 and include rate deaveraging in the final order.

Q. DO YOU HAVE ANY CONCERNS IF RATE DEAVERAGING IS ALLOWED UNDER THE COMPETITIVE RULES?

[14] Quinn Exhibit 2, response # 1

A. Yes, not addressing the issue and allowing rate deaveraging by default poses some serious issues that need to be addressed in this Docket. Given proper safeguards, I believe rate deaveraging can be a viable approach to bringing more benefits to the residential customer and provide more flexibility for CenturyLink. This will require the development of an appropriate structure and administration. This issue should be resolved in this Docket and not when CenturyLink makes its initial R14-2-1110 filing.

Q. WHY DOES RATE DEAVERAGING NEED TO BE PART OF THE FINAL DECISION?

A. I think that rate deaveraging enhances the benefits for residential customers for the services being moved to the competitive basket. It will allow CenturyLink to match competitors' prices in highly competitive areas without having to adopt the same price in less competitive areas. It will allow the specific and individual conditions, like competition and different cost of services for an area, to help determine the correct price to charge.

Q. COULD THIS LEAD TO ONE GROUP OF CUSTOMERS SUBSIDIZING ANOTHER GROUP OF CUSTOMERS?

A. Yes but to a much lesser degree than setting a standard rate. With standard pricing there is no question that the larger population centers are subsidizing the smaller population centers. With rate deavaeraging there could be some cross subsidization but it comes with the territory. Different groups of customers have been subsidizing other group of customers since the beginning of telephone service. For years it was common for commissions to set the price of basic business service two to three times the price of basic residential service even though the costs were essentially the same. Additionally, with uniform statewide residential customer rates being adopted, major cities subsidized residential customers in the more costly rural areas where the costs of providing services where much greater. Subsidization has always been a part of rate making policy. Competition takes away many of the opportunities for cross subsidization but certain situations can still warrant subsidization. Rural customers still need proper safeguards put into place to protect the residential customers in non-competitive areas from extreme price increases.

5. SAFEGUARDS

Q. WHAT KINDS OF SAFEGUARDS MAY BE USED TO PROTECT THE RESIDENTIAL CONSUMERS IN NON-COMPETITIVE AREAS?

A. There are several different types of safeguards that could be implemented if the Commission granted CenturyLink's Application for competitive classification for its entire service territory.

One method would be for the Commission to limit rate increases for basic residential voice service in non-competitive areas to no more than a certain percentage of the statewide weighted average rate. That would allow CenturyLink to set prices to match competitors, but would also limit the amount of price increase on customers who have no alternatives. This is similar to the methodology used by the Commission when placing the 25 percent cap on Basket 3 in Decision NO. 68604.

Another method could be to limit price increases in non-competitive areas to a certain percentage per year for so many years, placing a cap on the maximum increase allowed during that time frame. For example in certain non-competitive areas CenturyLink can only raise rates 10% a year over a 5 year period with a maximum increase of no more than 30%. Then CenturyLink can choose when to implement increases. In all of the suggested courses of action, residential customers who had no alternative would be protected from unjustifiable rate increases.

A third method would be to provide a partial subsidy to customers who have no competitive alternative. This would allow CenturyLink to set rates at a level they think is appropriate but provide the Commission the ability to help residential customers with no competitive alternative. The subsidy could be derived from current funds, like TAP for the medically needy. TAP has been greatly underutilized with a [begin confidential] $XXM [end confidential] balance[15] and an additional two million dollars being added every year. Approximately [begin confidential] XX [end confidential] customers at a cost of around [begin confidential] $XXM [end confidential] are funded by TAP[16]. It could be modified to include residential customers in non competitive areas making them eligible for the subsidy. An amount of $1M could provide a monthly $3 subsidy for approximately 28,000 customers.

Additionally assuming rate deaveraging, the Commission could require reports that show the number of customers by various rates for each product to make sure no customers are being unfairly charged. I have mentioned a few possible safeguards – RUCO is willing to consider others should the Commission believe it appropriate.

Other issues that would have to be addressed would include; who are the residential customers that have no competitive alternative; how to remove the non-competitive classification from areas that become competitive; and how to administer the adopted program. A starting place would be to look at less dense areas of CenturyLink's service territory and do a survey to determine where competitive alternatives do not exist. A method also needs to be developed to allow CentryLink to demonstrate that competitive alternatives exist in an area and the safeguards can be removed. If ordered this could be

[15] Quinn Exhibit 6.
[16] Quinn Exhibit 6.

accomplished before CenturyLink makes its' initial R14-2-1110 filing. This would allow CenturyLink to still have the competitive classification for their entire service area but provide protection for some customers.

6. RECOMMENDATIONS ON COMPETITIVE CLASSIFICATION

Q. SHOULD CENTURYLINK REQUEST TO MOVE RESIDENIAL SERVICES AS DESCRIBED IN EXHIBIT RHB-10 BE APPROVED?

A. Even though CenturyLink has not shown competitive alternatives in all areas of their service territory, I believe they should be allowed to reclassify their residential services and place them in the competitive Basket 3, if the safeguards discussed above in my testimony are implemented in a satisfactory nature.

IV. ANALYSIS OF DEREGULATION CLASSIFICATION

1. *ANALYSIS OF PROPOSED DEREGULATION*

Q. CENTURYLINK IS ASKING THE COMMISSION TO DECLARE SEVERAL SERVICES IN BASKET THREE AS NON ESSENTIAL AND TO DEREGULATE THEM. HAVE YOU ANALYZED THEIR REQUEST?

A. Yes. Exhibit 6 is CenturyLink's Revised Attachment B with residential services identified in the far right column with an R. Attachment B contains 160 services that CenturyLink wants to reclassify as deregulated; of those only 19 are residential services. Of the 19 residential services only two services are of concern because of the number of residential customers involved. One service is C5.9.1 Home

Phone Package which according to a response to a RUCO Discovery Request[17] has almost [begin confidential] XX [end confidential] customers. The other service of concern is C105.9.1 Obsolete Basic Exchange Packages which has over [begin confidential] XX [end confidential] customers. In reviewing the remaining residential services they are mostly discretionary services and are already priced competitively and there is not a great risk to residential consumers if they are deregulated.

Q. DID YOU ANALYZE THE METHOD MR. BRIGHAM UTILIZED TO CONCLUDE THAT THESE SERVICES SHOULD BE DEREGULATED?

A. No. Since the majority of the services that are being sought for deregulation are business services the evaluation is better left to the parties that are looking at the business side of the request. I only analyzed the affects of deregulation on the two previously mentioned residential services.

Q. WHAT CONCERNS DO YOU HAVE ABOUT THE TWO RESIDENTIAL SERVICES THAT YOU IDENTIFIED?

A. Both services are packages that deal with residential customers and are currently in Basket 3. Basket 3 requires that the price of the package cannot exceed the sum of the prices of the individual services. If these services are deregulated there will be no control on the price of these packages other than competitive pressure. Just like in the competitive classification, safeguards need to be enacted if there is no competitive pressure.

2. RECOMMENDATION OF DEREGULATION CLASSIFICATION

Q. SHOULD CENTURYLINK'S DEREGULATION OF RESIDENTIAL SERVICES AS SHOWN IN THEIR REVISED ATTACHMENT B, BE APPROVED?

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[17] Quinn Exhibit 7

A. CenturyLink should be allowed to reclassify these residential services as shown in Revised Attachment B as deregulated.[18] If safeguards as discussed in the competitive analysis are adopted, they should provide adequate protection for any residential customers with the deregulated services I discussed.

V. RECOMMENDATIONS FOR APPROVAL OF CENTURYLINK'S APPLICATION

Q. DO YOU HAVE SOME RECOMMENDATIONS FOR THE COMMISSION TO CONSIDER BEFORE CENTURYLINK'S APPLICATION CAN BE APPROVED?

A. Yes. The following are my recommendations that need to be considered by the Commission and included in the final decision concerning CenturyLink's Application.

1. Include in the final order CenturyLink's commitments in testimony to:
    a. maintain current service quality measurement and reporting requirements;
    b. not make changes to Basket 4 which includes wholesale services; and
    c. "wrap up the Price Cap Plan"
2. Resolve issue on rate deaveraging
3. Require filing to "wrap up the Price Cap Plan" within one year
4. Require filing under R14-2-1110 within one year
5. Implement safeguards

[18] Quinn Exhibit 7

Q. IF THERE IS SATIFACTORY RESOLUTION OF YOUR FIVE RECOMMENDATIONS AND THEY ARE INCLUDED IN THE FINAL DECISION SHOULD THE COMMISSION APPROVE CENTURYLINK'S APPLICATION TO RECLASSIFY CERTAIN RESIDENTIAL SERVICES TO COMPETITIVE BASKET 3 AND TO DEREGULATE CERTAIN OTHER RESIDENTIAL SERVICES?

A. If there is satisfactory resolution of my recommendations included in the final decision then I believe the Commission should approve CentryLink's Application as it applies to residential services. My testimony does not address business services and therefore I do not make any recommendation on that part of the Application. Fortunately if the competitive environment changes, the Commission can, under R14-2-1108, reclassify the services from the competitive Basket 3 to its previous basket.

Q. DOES THAT CONCLUDE YOUR TESITMONY?

A. Yes it does.

EXHIBITS

EXHIBIT 1: WORK HISTORY RELATING TO REGULATORY ISSUES

Phoenix, Arizona (Oct. 2002 – Retirement Oct. 2008)
President of Qwest Arizona
Responsible for running all aspects of the Qwest operations in the state of Arizona, with annual revenues of approximately $2 billion. Developed and managed both expense and capital budgets, deployment of products, marketing and advertising. Represented the company when dealing with local, state and federal elected officials. Lobbied at all levels for issues important to Qwest.
ACCOMPLISHMENTS

- Successfully lobbied to pass a property tax bill that reduced Qwest's future property taxes by millions of dollars.
- Worked with state and federal regulatory commissions to obtain approval for Qwest to offer long distance service.
- Negotiated settlements with government officials and customers.
- Settled a fraud case with the Attorney General.
- Acquired new video franchises and settled previous disputes with various cities around the state.
- Successfully completed a rate case and many other issues with the Arizona Corporation Commission.
- Served in leadership positions on numerous business groups, charitable boards and boards/commissions appointed by the Governor and Legislature.
- Directed Qwest foundation giving.

Denver, Colorado (Feb. 2000 – Oct. 2002)
Vice President Corporate Policy and Law, US West/Qwest
Developed and implemented policy and strategy for all areas of Qwest in the fourteen state Qwest region including interconnection agreements, capital deployment, operational requirements, public relations positions and rate cases. Responsible for governmental affairs including fundraising, political strategies and relationship building with elected officials.
ACCOMPLISHMENTS

- Represented USWEST on regulatory and political issues during the merger with Qwest.
- Led successful regulatory approval of the merger at the state and federal level.

Phoenix, Arizona and Denver, Colorado (June 1993- Feb. 2000)
Regional Regulatory Executive Director, US West
Developed and implemented strategic regulatory policy for U S WEST territory. Filed, defended and implemented all tariffs, rates and other issues requiring regulatory approvals.
ACCOMPLISHMENTS

- One of lead negotiators in the sale of assets to Citizens Utility Company.

- Testified as needed on issues before state commissions.

Phoenix, Arizona (Sept. 1990 – June 1993)
Director Regulatory Affairs, US West
Developed and implemented regulatory policy for the state of Arizona. Responsibilities included all issues before the Arizona Corporation Commission including price changes, adding/removing products and providing services to new areas of the state.
ACCOMPLISHMENTS

- Testified in two rate case settlements increasing revenues by $78m and $30m.
- Settled customer issues and eliminated the calling zones around the Phoenix Metro area.
- Represented the Company in front of the Arizona Corporation Commission as necessary.

Omaha, Nebraska (June 1987-September 1990)
Regional Director Financial Modeling, US West
Determined the financial impacts of migrating from traditional rate of return regulation to alternative forms of regulation for each of the 14 states and for the interstate jurisdiction price cap plan.
ACCOMPLISHMENTS

- Provided financial analysis on all major strategies, including creating forecasted financial data for use in strategic and long range planning.
- Testified on financial issues and alternative forms of regulation.

Omaha, Nebraska (Jan. 1984-June 1987)
District Finance Manager, Northwestern/US West
Developed and supported financials for market and service unit rollouts. Responsible for the calculation of the interstate revenue requirement filing.
ACCOMPLISHMENTS

- Testified before state and federal regulatory commissions on a variety of issues.

Omaha, Nebraska (July 1977-Jan. 1984)
Staff Manager Corporate Budgets, Northwestern Bell
Finance budget organization. Responsible for financial analysis, revenue forecasting
ACCOMPLISHMENTS

- Testified in commission proceeding in the five states of Northwestern Bell.
- Expert witness in the 1984 breakup of the Bell System.
- Provided economic analysis and performed demand models on various products determining the elasticity for each product.

EXHIBIT 2: RUCO'S SECOND SET OF DATA REQUESTS

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1. In Mr. Brigham's testimony, if CenturyLink's application is approved, he talks about setting rates for the approved competitive services using RS14-2-1110. Does CenturyLink believe that this would allow them to charge a different rate for 1FR service in Phoenix Metro versus Skull Valley? If so how did they reach that conclusion? If not, in the past CenturyLink and its predecessor companies proposed deaveraging prices so that one rate could be charged in one area and a different rate in another area. Is this still a goal of the Company and if so how do you intend to do it?

RESPONSE: CenturyLink's Application asks only for competitive classification of services such as 1FRs. CenturyLink has not decided what rates we would change or how we would change them upon the Commission's declaration of competitive classification.

CenturyLink has presented evidence that the services listed on Attachment A to the Application are competitive in every part of CenturyLink's service area. Although the question of <u>rate levels</u> is not now before the Commission, CenturyLink should be permitted to price its services competitively, taking into account local market conditions. Those conditions likely do vary between different geographic areas, and between and among different situations. The competitive rules do not require uniform statewide rates. Maximum rates filed are not effective until approved by the Commission under the streamlined procedures of Rule 1110.

2. In Mr. Brigham's testimony page 76, lines 1 through 5, he talks about the need to revisit the Price Cap Plan and "wrap up the Price Cap Plan". Would this revisiting include proposed rate changes using RS14-2-1110? If not when would you intend to file to set maximum and minimum prices?

RESPONSE: Any changes to the rate levels currently in effect would necessarily have to be filed after the Commission acts upon the requests made in this docket, and must be approved by the Commission under Rule 1110 before becoming effective. CenturyLink has not determined whether we would propose changes to the rate levels embodied in the Price Cap Plan tariffs immediately, or over time. While rate changes may be expected, CenturyLink has not determined which services' rates will be revised first, whether they will be raised or lowered, or by how much. It is quite possible that some services' rates will not be adjusted for some time. CenturyLink's decisions in these matters by necessity will be influenced by future market conditions.

3. In Mr. Brigham's testimony page 19, line 1 he shows CenturyLink's market share at XX% (confidential) and several times in his testimony page 54, line 1 for example he mentions CenturyLink's share of voice connections at less than 20%. What is the difference in the two market share numbers?

RESPONSE: The CenturyLink voice share listed on page 19, line 1, is based on the *Centris* market study, while the "less than 20%" or 18.4% is based on the FCC's connection data. These numbers are different primarily because they measure share on a different basis. The *Centris* study identifies households that purchase voice service from wire line providers including CenturyLink, cable providers and other CLECs. The study then identifies households with no wire line service that have purchased only wireless service. Therefore, the *Centris* study counts CenturyLink households that have both a wire line phone and a wireless phone as a CenturyLink household. Conversely, the share analysis based on FCC data counts each wire line and wireless connection separately, regardless of whether or not the household has both wire line and wireless service. Thus, if a household has both a CenturyLink wire line phone and a wireless phone, the analysis based on FCC data would count one wire line connection and one wireless connection. For these reasons, the CenturyLink share estimated in the *Centris* study is higher than the 18.4% ILEC connections share estimated with the FCC data.

4. How many of CenturyLink's residence 1FR customers are stand alone versus being part of a bundle?

CenturyLink assumes that this request is defining a "stand-alone residence customer" as a customer that does not purchase local service as part of a "package" of services that include calling features, such as "Home" services for residence customers (as included in Section 5.9.1 of Price Cap tariff Number 2). In Arizona, as of 9-30-11, there were 295,415 stand-alone residence lines out of 697,121 total residence lines. Thus, stand-alone residence lines comprise 42% of total residence lines.

5. How many of cable companies residence 1FR customers are stand alone versus being part of a bundle?

RESPONSE: CenturyLink does not have detailed data regarding the quantities of specific services and bundles that our cable company competitors provide to customers in Arizona.

6. On page 5, line 24 of Mr. Brigham's testimony he states that "nearly all of CenturyLink customers in Arizona have the ability to purchase ….voice services from a carrier other than CenturyLink". Do you have an estimate of the number and general location of residence customers that don't have this ability? For example is there a town like Queen Valley that doesn't have this ability?

RESPONSE: First, since CenturyLink services are available for resale by CLECs at a resale discount in all areas that CenturyLink serves, virtually all CenturyLink customers have competitive alternatives provided by resellers of CenturyLink voice services. In Arizona, CLECs are actually providing resold services today in 131 of the 132 CenturyLink wire centers in the state. (can we add "including Whitlow, which is the wire center serving Queen Valley.) Second, as shown in Exhibits RHB-5 and RHB-7, wireless carriers provide coverage to nearly all of CenturyLink's serving territory in Arizona, and the areas not served are in extremely low-density rural areas. While CenturyLink does not know the number of customers it serves that do not have a wireless option, we believe the percentage is very small. Third, cable telephony and/or CLECs offer services in each CenturyLink wire center in Arizona.[19] . The key point is that there is a CLEC, wireless or cable option in every wire center in Arizona. In addition, any customer with a broadband connection has a VoIP option.

7. On page 8, lines 17 through 25 of Mr. Brigham's testimony, he talks about CenturyLink will be better able to meet customer demands if it is regulated like its competitors. What are the "unneeded regulatory burdens" that change besides easier price changes?

RESPONSE: The freedoms that CenturyLink seeks in this proceeding are (1) that the Commission classify the services listed on Attachment A to the Application as competitive under Commission Rule 1108, and (2) that the Commission deregulate the services listed in Attachment B of the Application pursuant to A.R.S. § 40-281(E). The primary benefits to CenturyLink if the Commission grants its request are that it will be regulated, at least from a pricing perspective, in a manner more similar to its competitors. However, even with relief, as stated in Mr. Brigham's testimony, CenturyLink will still not be at parity with all its competitors. For example, CenturyLink will still be subject to the reporting and penalty provisions of its Service Quality Tariff, which do not apply to any other carrier.

8. Does CenturyLink have a similar type of regulatory oversight as proposed in this application in any states in which they operate? If so which states and when were they approved?

CenturyLink's level of regulatory oversight varies across its 37 state territory. Many legacy Qwest and CenturyLink entities are regulated in various states under an Alternative Form of Regulation (AFOR) with pricing freedom for some services and price caps for other services (e.g., residential basic exchange service). In other states, all retail rates have essentially been deregulated (including Florida, Idaho, Indiana, Iowa, Nebraska, South Dakota, Tennessee, Utah and Wisconsin). CenturyLink is not aware of another state where it has requested relief that is exactly like that requested in Arizona, because there is no other state with statutes and rules that are exactly like Arizona's. A declaration that the services in "Attachment A" are "competitive" pursuant to rule 1108 would provide more pricing flexibility for these services than exists in some states, but would still not provide the level of freedom present in the deregulated states listed above. Acceptance of CenturyLink's proposal to deregulate "Attachment B" services would treat those services as

[19] Cable providers may not offer service in all geographic areas of a wire center.

they are treated in the deregulated states listed above, as well as many AFOR states where non-basic services have pricing flexibility.

EXHIBIT 3: REVISED ATTACHMENT A – COMPLETIVE SERVICES

Tariff Section (1)	Description	BASKET	RES?
E10.10.8	DISASTER RECOVERY SERVICES	1	
E10.11.3	N11 SERVICE	1	
E10.4.4	TOLL RESTRICTION	1	R
E10.4.6	900 SERVICE ACCESS RESTRICTION	1	R
E10.4.7	BLOCKING FOR 10XXX1+/10XXX011+	1	R
E10.7.1	CALLER IDENTIFICATION BLOCKING-PER CALL	1	R
E10.7.2	CALLER IDENTIFICATION BLOCKING-PER LINE	1	R
E105.2.5.B	OBOSLETE SERVICE STATIONS	1	R
E109.2.1	OBSOLETE EMERGENCY REPORTING SERVICE	1	
E2.2.10	TEMPORARY SUSPENSION OF SERVICE - CUSTOMER INITIATED	1	R
E2.2.7	ASSIGNING & CHANGING TELEPHONE NUMBERS	1	R
E2.2.9	TERMINATION OF SERVICE - COMPANY INITIATED	1	R
E2.3.2	RETURNED CHECK CHARGE	1	R
E3.1.1	NONRECURRING CHARGES	1	R
E3.1.7	DUAL SERVICE	1	R
E3.1.8	EXPRESS SERVICE	1	R
E5.1.6	LOCAL SERVICE INCREMENTS	1	R
E5.2.1	MEASURED USAGE CHARGES	1	R
E5.2.2	LOW USE OPTION SERVICE - PRIMARY LINE	1	R
E5.2.4	FLAT RATE SERVICE - PRIMARY LINE	1	R
E5.2.5.A	SERVICE STATION LINES	1	R
E5.2.6	TELEPHONE ASSISTANCE PROGRAMS	1	R
E9.2.1	UNIVERSAL EMERGENCY NUMBER SERVICE - 911	1	
E9.2.5	EMERGENCY TRANSPORT BACKUP	1	
C5.3.3	FLAT RATE TRUNKS	2	
C5.4.2	TOUCHTONE CALLING	2	R
C5.8.4	INTERCEPT SERVICES	2	R
Q7.1 - Q7.9.1	SWITCHED TRANSPORT	3	
Q21.1 - Q21.4.1	SWITCHED ACCESS SERVICE VIRTUAL EI	3	
E5.7.1	LISTING SERVICES (INCLUDES RESIDENCE NLT AND NPU)	1	R
E11.2	POLE ATTACHMENTS	1	

NOTE 1: Price Cap Tariff Section Prefix Codes
E = Exchange and Network Services
C = Competitive Exchange and Network Services
Q = Competitive Private Line Transport Services
ACS = Competitive Advanced Communications Services

EXHIBIT 4: ARIZONA ADMINISTRATIVE CODE R14-2-1108

R14-2-1108. Determination of a Competitive Telecommunications Service

A. A telecommunications company may petition the Commission to classify as competitive any service or group of services provided by the company. The telecommunications company shall file with the Docket Control Center 10 copies of its petition. The telecommunications company also shall provide notice of its application to each of its customers, if any, and to each regulated telecommunications company that serves the same geographic area or provides the same service or group of services, or a service or group of services similar to the service or group of services for which the competitive classification is requested.

B. The petition for competitive classification shall set forth the conditions within the relevant market that demonstrate that the telecommunications service is competitive, providing, at a minimum, the following information:
   1. A description of the general economic conditions that exist which make the relevant market for the service one that is competitive;
   2. The number of alternative providers of the service;
   3. The estimated market share held by each alternative provider of the service;
   4. The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801;
   5. The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions; and
   6. Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the services.

C. Alternatively, where the Commission has already classified a specific service within the relevant market as competitive, the petition shall provide the date and decision number of the Commission order.

D. In any competitive classification proceeding, the telecommunications company filing the petition, and any telecommunications company supporting the petition, shall have the burden of demonstrating that the service at issue is competitive. Classification of the petitioners' service as competitive does not constitute classification of any service provided by another telecommunications company as competitive, unless expressly ordered by the Commission.

E. The Commission may initiate classification proceedings on its own motion and may require all regulated telecommunications companies potentially affected by the classification proceeding to participate in the proceeding. In an Order classifying a service as competitive, the Commission will specify whether the classification applies to the service provided by a specific company or companies or to that service provided by all telecommunications companies.

F. If the Commission finds that a telecommunications company's service is competitive, the telecommunications company providing the service may obtain a rate change for the service by applying for streamlined rate treatment pursuant to R14-2-1110.

G. Any finding by the Commission, pursuant to the provisions of this Section, that a telecommunications service is competitive so as to qualify for streamlined rate treatment shall not constitute a finding that the service is deregulated.

H. Any telecommunications service classified by the Commission as competitive may subsequently be reclassified as noncompetitive if the Commission determines that reclassification would protect the public interest. Notice and hearing would be required prior to any reclassification. The burden of proof would be on the party seeking reclassification.

Historical Note

Adopted effective June 27, 1995, under a court-ordered exemption as determined by the Arizona Corporation Commission (Supp. 95-2).

Editor's Note: The Arizona Corporation Commission has determined that the following Section is exempt from the Attorney General certification provisions of the Arizona Administrative Procedure Act (A.R.S. § 41-1041) by a court order (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)).

EXHIBIT 5: TELEPHONE ASSISTANCE PLAN DATA

Arizona Corporation Commission
Docket No. T-01051B-11-0378
RUCO 4.1 - Confidential Attachment A

Available Funding $4,671,629.90

Year	Funding Provided	Benefits Provided	Administrative Expenses	Total	Average # of Customers	
2006	$1,750,000	$852,343.90	$266,549.10	$1,118,893.00	7219	
2007	$2,000,000	$805,256.08	$427,134.35	$1,232,390.43	6701	
2008	$2,000,000	$763,916.48	$452,367.45	$1,216,283.93	6376	
2009	$2,000,000	$762,361.15	$482,348.72	$1,244,709.87	6390	
2010	$2,000,000	$727,478.27	$400,954.24	$1,128,432.51	6101	
2011	$2,000,000	$685,410.64	$239,900.84	$925,311.48	5760	See Note 1

Note 1: DES Administrative Expenses have not yet been billed for the 2nd half of 2011.

EXHIBIT 6: REVISED ATTACHMENT B – NON ESSENTIAL SERVICES

Tariff Section (1)	Description	BASKET	RES?
C10.10.1	MESSAGE DELIVERY SERVICE	2	
C10.10.2	MESSAGE WAITING INDICATION	2	
C10.3.2	CENTRAL OFFICE MAKE BUSY/STOP HUNT	2	
C10.4.1	CUSTOMNET SERVICE	2	
C105.10	OBSOLETE RESALE/SHARING OF COMPANY SERVICES	2	
C105.2.5	OBSOLETE LOCAL SERVICE OPTIONS	2	
C105.3.4	OBSOLETE DID SERVICE	2	
C105.3.5	OBSOLETE IDENTIFIED OUTWARD DIALING	2	
C105.4.10	CUSTOM RINGING SERVICE	2	
C105.4.11	OBSOLETE HUNTING SERVICE	2	
C105.4.3	OBSOLETE CUSTOM CALLING SERVICES	2	R
C105.7.1	OBSOLETE LISTINGS	2	
C109.2.3	OBSOLETE EMERGENCY ALARM AND REPORTING SERVICE	2	
C110.3.1	OBSOLETE ARRANGEMENTS FOR NIGHT, SUNDAY, HOLIDAY SERVICE	2	
C110.4.2	OBSOLETE TOLL DIVERSION	2	
C110.8	OBSOLETE NETWORK CONNECTING ARRANGMENTS	2	
C125.1	OBSOLETE CUSTOMIZED SERVICES OF EQUIPMENT OR SERVICE ARRANGEMENTS	2	
C15.1	DIGITAL SWITCHED SERVICES (DSS)	2	
C25.1	CUSTOMIZED SERVICE EQUIPMENT OR SERVICE ARRANGEMENTS	2	
C5.10	RESALE/SHARING OF COMPANY SERVICES	2	
C5.2.2	LOW USE OPTION SERVICE - ADDITIONAL LINES	2	R
C5.2.4	FLAT RATE SERVICE - ADDITIONAL LINES	2	R
C5.2.5.A	PUBLIC RESPONSE CALLING SERVICE	2	
C5.2.5.A	PUBLIC RESPONSE CALLING SERVICE	2	
C5.3.4	DIRECT INWARD DIALING (DID) SERVICE	2	
C5.4.10	CUSTOM RINGING SERVICE	2	R
C5.4.11	HUNTING SERVICE	2	
C5.4.19	NUMBER FORWARDING	2	R
C5.4.3	CUSTOM CALLING SERVICES	2	R
C5.4.5	BASIC EXCHANGE ENHANCEMENT	2	
C5.4.8	OPEN SWITCH INTERVAL PROTECTION	2	
C5.4.9	CALLER IDENTIFICATION - BULK	2	
C5.7.1	LISTING SERVICES	2	R
C5.7.7	CUSTOM NUMBER SERVICE	2	
C9.4.6	NEXT CONNECTS	2	
ACS10.5	RATES AND CHARGES	3	
ACS107.5.1	GENERAL	3	
ACS109.5	RATES AND CHARGES	3	

ACS5.4.1	GENERAL	3	
ACS5.4.2	OPTIONAL FEATURES AND FUNCTIONS	3	
ACS5.5.1	GENERAL	3	
ACS5.5.2	OPTIONAL FEATURES AND FUNCTIONS	3	
ACS7.5.1	GENERAL	3	
C10.10.4	TRAFFIC DATA REPORTING SERVICE	3	
C10.10.5	CALL EVENT AND MANAGEMENT SIGNALING SERVICE (CEMSS) SUBSCRIBER	3	
C10.5.2	CODE BILLING	3	
C105.2.13	OBSOLETE BUSINESS LINE VOLUME PURCHASE PLAN	3	
C105.4.14	OBSOLETE CUSTOM SOLUTIONS	3	R
C105.4.15	OBSOLETE SINGLE NUMBER SERVICE	3	
C105.4.17	OBSOLETE SELECT CALL ROUTING SERVICE	3	
C105.6	OBSOLETE JOINT USER SERVICE	3	
C105.9.1	OBSOLETE PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	3	R
C105.9.2	OBSOLETE PACKAGES NOT ASSOCIATED WITH BASIC EXCHANGE SERVICE	3	R
C106.2.3	OBSOLETE 1-800 CALLING SERVICE	3	
C106.2.5	OBSOLETE SPECIAL REVERSED CHARGE LONG DISTANCE SERVICE	3	
C106.3.1	OBSOLETE METROPOLITAN PREFERRED AREA CALLING SERVICE	3	R
C106.3.18	OBSOLETE CALLING CONNECTION PLANS	3	
C107.1.1	OBSOLETE OUTWARD WATS	3	
C109.1.1	OBSOLETE CENTREX SERVICE	3	
C109.1.10	OBSOLETE OPTIONAL FEATURES	3	
C109.1.12	OBSOLETE CENTRON 6 AND 30 SERVICE	3	
C109.1.13	OBSOLETE CENTRON CUSTOM SERVICE	3	
C109.1.16	OBSOLETE CENTREX PLUS SERVICE	3	
C109.1.2	OBSOLETE ESS SERVICE	3	
C109.1.6	OBSOLETE AIRPORT INTERCOMMUNICATING SERVICE	3	
C109.1.7	OBSOLETE CUSTOMIZED MANAGEMENT SERVICES/CENTRON I	3	
C113.3	OBSOLETE RESIDENCE MAINTENANCE PLANS	3	R
C113.4	OBSOLETE BUSINESS MAINTENANCE PLANS	3	
C114.3.2	OBSOLETE PURCHASE PLUS REWARD PLAN FOR ISDN	3	
C115.2	OBSOLETE SWITCHNET 56 SERVICE	3	
C13.2	PREMISES WORK CHARGES	3	R
C13.2.1	NETWORK PREMISES WORK CHARGES	3	R
C13.3	RESIDENCE MAINTENANCE PLANS	3	R
C13.4	BUSINESS MAINTENANCE PLANS	3	
C14.2.1	SINGLE LINE SERVICE	3	
C14.3.1	PRIMARY RATE SERVICE	3	
C14.4	INDIVIDUAL CASE ISDN SERVICE	3	
C15.3	UNIFORM ACCESS SOLUTION SERVICE	3	
C15.4	INTEGRATED T-1 SERVICE	3	

C3.1.9	EXPRESS CHANGE CHARGES	3	
C5.11.1	LINE VOLUME PLAN	3	
C5.11.2	CORE CONNECT 1	3	
C5.11.3	PURCHASE PLUS REWARD PLAN	3	
C5.2.10	TENANT SOLUTIONS	3	
C5.2.11	COMPETITIVE RESPONSE	3	R
C5.2.5.B	STANDBY LINE	3	
C5.2.8	HOME BUSINESS LINE SERVICE	3	
C5.4.4	MARKET EXPANSION LINE - USAGE	3	
C5.4.4	MARKET EXPANSION LINE	3	
C5.4.7	INTRACALL SERVICE	3	
C5.9.1	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	3	R
C5.9.2	PACKAGES NOT ASSOCIATED WITH BASIC EXCHANGE SERVICE	3	
C6.2.1	TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICe	3	R
C6.2.4	DIRECTORY ASSISTANCE SERVICE	3	R
C6.2.8	OPERATOR VERIFICATION/INTERRUPT SERVICE	3	
C6.3.17	GUARANTEED RATE CALLING CONNECTION	3	
C6.3.18	CALLING CONNECTION PLANS	3	
C7.1.2	800 SERVICE	3	
C7.1.5	LARGE USER DISCOUNT - 800 SERVICE	3	
C9.1.10	OPTIONAL SERVICE FEATURES	3	
C9.1.18	CENTREX PRIME SERVICE	3	
C9.1.7	CUSTOMIZED CALL MANAGEMENT SERVICES/CENTRON I	3	
C9.4.4	UNIFORM CALL DISTRIBUTION	3	
C9.4.5	CO-AUTO CALL DISTRIBUTION (CO-ACD)	3	
Q10.1	SPECIAL PROMOTIONS	3	
Q105.2.10	OBSOLETE DATAPHONE DIGITAL SERVICE	3	
Q105.2.14	OBSOLETE VOICE GRADE SERVICE	3	
Q105.2.18	OBSOLETE GEOMAX SERVICE	3	
Q105.2.2	OBSOLETE SERIES 5000 CHANNELS	3	
Q105.2.3	OBSOLETE DATAPHONE SELECT-A-STATION	3	
Q105.2.9	OBSOLETE TELEPHONE ANSWERING SERVICE	3	
Q3.2.2	NONRECURRING CHARGES	3	
Q4.1.1	SERVICE DATE CHANGE	3	
Q4.1.10	MAINTENANCE OF SERVICE	3	
Q4.1.11	ADDITIONAL ENGINEERING	3	
Q4.1.12	ADDITIONAL LABOR	3	
Q4.1.13	ADDITIONAL ENGINEERING AND LABOR CHARGES	3	
Q4.1.14	ACCEPTANCE TESTING	3	
Q4.1.15	TESTING SERVICES	3	
Q4.1.16	TESTING CHARGES	3	
Q4.1.17	DISPATCH CHARGE	3	
Q4.1.2	DESIGN CHANGE	3	
Q4.1.3	CANCELLATION OF APPLICATION FOR SERVICE	3	
Q4.1.4	EXPEDITE	3	

Q4.1.5	DESIGN LAYOUT REPORT	3	
Q4.1.6	SPECIAL CONSTRUCTION	3	
Q4.1.8	MAINTAINING FACILITIES	3	
Q4.3.2	FACILITIES PROTECTION-SPECIAL FACILITIES ROUTING	3	
Q4.4	PROTECTION SERVICE FOR HIGH VOLTAGE ENVIRONMENTS	3	
Q4.5	COMMANDALINK-NETWORK RECONFIGURATION SERVICE	3	
Q4.6	TELECOM SERVICE PRIORITY SYSTEM	3	
Q5.2.13	US WEST DS1 SERVICE	3	
Q5.3	CUSTOM SERVICE ARRANGEMENTS	3	
Q6.2.1	LOW-SPEED DATA SERVICE	3	
Q6.2.10	DIGITAL DATA SERVICE	3	
Q6.2.12	SIMULTANEOUS VOICE DATA SERVICE	3	
Q6.2.13	DS1 SERVICE	3	
Q6.2.14	DS3 SERVICE	3	
Q6.2.15	SELF HEALING NETWORK SERVICE	3	
Q6.2.18	GEOMAX SERVICE	3	
Q6.2.19	QWAVE SERVICE	3	
Q6.2.2	VOICE GRADE SERVICE	3	
Q6.2.4	LOCAL AREA DATA SERVICE	3	
Q6.2.5	AUDIO SERVICE	3	
Q6.2.6	FOREIGN EXCHANGE SERVICE	3	
Q6.2.7	FOREIGN CENTRAL OFFICE SERVICE	3	
Q6.2.8	EXCHANGE SERVICE EXTENSIONS	3	
Q6.2.9	TELEPHONE ANSWERING SERVICE	3	
C105.11.4	OBSOLETE LINE VOLUME ADVANTAGE	3	
C107.1.3	OBSOLETE 800 SERVICE LINE OPTION	3	
C107.1.4	OBSOLETE ANCILLARY WATS SERVICE	3	
C107.1.5	OBSOLETE LARGE USER DISCOUNT - OUTWARD WATS AND 800	3	
C109.1.17	OBSOLETE CENTREX 21 SERVICE	3	
C6.2.9	SPECIAL HOUR DISCOUNT	3	
C105.2.5.A	OBSOLETE COMBINATION ACCESS LINE SERVICE	3	
Q105.2.13	OBSOLETE DS1 SERVICE	3	
Q3.6	COMPETITIVE RESPONSE	3	
Q4.1.9	REPAIR OF FACILITIES	3	

EXHIBIT 7: RUCO'S FOURTH SET OF DATA REQUESTS

ARIZONA CORPORATION COMMISSION
DOCKET NO. T-01051B-11-0378
RUCO 3.1 CONFIDENTIAL ATTACHMENT B

BASKET	TIM CODE	REC/NON	RES/BUS	USOC	Quantity Dec 2011	Service
3	C5.4.7	R	R/B	E1N	69	INTRACALL SERVICE
3						
3	PACKAGES ASSOC/BASIC EXCHANGE SERVICE					
3	C5.9.1	R	BUS	PGOQL	40,389	CHOICE BUSINESS PACKAGE
3	C5.9.1	R	BUS	PGOQM	8,206	CHOICE BUSINESS PACKAGE
3	C5.9.1	R	BUS	PGOQN	40,001	CHOICE BUSINESS PACKAGE
3	C5.9.1	R	BUS	PGOQT	60,214	CHOICE BUSINESS PACKAGE
3	C5.9.1	R	BUS	PGOQX	19,159	CORE CONNECT 1
3	C5.9.1	R	BUS	PGOQY	27,696	CORE CONNECT 1 - UBL
3					195,665	
3	PACKAGES ASSOC/BASIC EXCHANGE SERVICE					
3	C5.9.1	R	RES	PGOQU	144,810	HOME PHONE PACKAGE
3	C5.9.1	R	RES	PGOQV	17,873	HOME PHONE PACKAGE
3	C5.9.1	R	RES	PGOQW	17,272	HOME PHONE PACKAGE
3					179,955	
3	PACKAGES NOT ASSOC/BASIC EXCHANGE SVC					
3	C5.9.2	R	BUS	NLUY1		PACKAGES NOT ASSOC/BASIC EXCHANGE SVC
3	C5.9.2	R	BUS	NLUY2		PACKAGES NOT ASSOC/BASIC EXCHANGE SVC
3						
3	PACKAGES ASSOC/BASIC EXCHANGE SERVICE					
3	C5.11.1	R	BUS	N/A	-	LINE VOLUME PLAN
3						
3	PACKAGES ASSOC/BASIC EXCHANGE SERVICE					
3	C5.11.2	R	BUS	PGOQX	19,159	CORE CONNECT 1
3	C5.11.2	R	BUS	PGOQY	27,696	CORE CONNECT 1 UNLIMITED BUSINESS VOICE LINE
3					46,855	
3	PACKAGES ASSOC/BASIC EXCHANGE SERVICE					
3	C5.11.3	R	BUS	N/A	-	PURCHASE PLUS REWARD
3						
3	MESSAGE TELECOMMUNICATIONS SERVICE					
3	C6.2.1	USG	B/R	N/A		TWO-POINT MESSAGE TELECOM SERVICE
3						
3						
3	MESSAGE TELECOMMUNICATIONS SERVICE					
3	C6.2.4	R	B/R	N/A		DIRECTORY ASSISTANCE SERVICE

Confidential

ARIZONA CORPORATION COMMISSION
DOCKET NO. T-01051B-11-0378
RUCO 3.1 CONFIDENTIAL ATTACHMENT B

BASKET	TIM CODE	REC/NON	RES/BUS	USOC	Quantity Dec 2011	Service
3					10	
3	OBSOLETE SELECT CALL ROUTING SERVICE					
3	C105.4.17	R	BUS	R8SBX	-	OBSOLETE SELECT CALL ROUTING SERVICE
3	C105.4.17	R	BUS	R8SAX	1	OBSOLETE SELECT CALL ROUTING SERVICE
3	C105.4.17	R	BUS	R8SPN	2	OBSOLETE SELECT CALL ROUTING SERVICE
3	C105.4.17	R	BUS	R8TAC	-	OBSOLETE SELECT CALL ROUTING SERVICE
3					3	
3	OBSOLETE JOINT USER SERVICE					
3	E105.6	R	BUS	JUF	4	OBSOLETE JOINT USER SERVICE
3						
3	PACKAGES ASSOC/BASIC EXCHANGE SERVICE					
3	C105.9.1	R	BUS	PGOCL	308	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	PGOCN	154	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	PGOCO	5	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	PGOCQ	23	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	NLUDE	100	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	NLUDY	1,447	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	NLUDZ	460	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	NLUDL	2,210	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	PGOBA	4,038	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	BUS	PGOBD	7,750	OBSOLETE BASIC EXCHANGE PACKAGES
3					16,503	
3	OBS PCKG ASSOC/BASIC EXCH SERVICE					
3	C105.9.1	R	RES	PGOCC	4,105	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOCA	711	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOVC	172	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOVP	166	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOCG	2,124	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOP7	480	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOPX	53	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOP8	239	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOPY	38	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOC7	202	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOCX	23	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOC8	44	OBSOLETE BASIC EXCHANGE PACKAGES

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ARIZONA CORPORATION COMMISSION
DOCKET NO. T-01051B-11-0378
RUCO 3.1 CONFIDENTIAL ATTACHMENT B

BASKET	TIM CODE	REC/NON	RES/BUS	USOC	Quantity Dec 2011	Service
3	C105.9.1	R	RES	PGOCY	7	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PCV6X	2,460	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	FFKX2	10	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOVB	362	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGORA	21,727	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGORB	3,032	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOFD	1,571	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOFE	420	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	FFK7N	63	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOFA	773	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGOFB	217	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGO1H	128,142	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGO2H	7,910	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGO1P	23,908	OBSOLETE BASIC EXCHANGE PACKAGES
3	C105.9.1	R	RES	PGO2P	4,082	OBSOLETE BASIC EXCHANGE PACKAGES
3					203,041	
3	OBS PACKAGES NOT ASSOC/BASIC EXCHANGE SVC					
3	C105.9.2	R	RES	FPR2U	-	OBSOLETE PACKAGES NOT ASSOC/BASIC EXCHANGE S
3	C105.9.2	R	RES	FPR3W	-	OBSOLETE PACKAGES NOT ASSOC/BASIC EXCHANGE S
3	C105.9.2	R	RES	FPR4X	-	OBSOLETE PACKAGES NOT ASSOC/BASIC EXCHANGE S
3					-	
3	OBS LINE VOLUME ADVANTAGE					
3	C105.11.4	R	BUS	N/A	-	OBSOLETE LINE VOLUME ADVANTAGE
3						
3	OBS MESSAGE TELECOMMUNICATIONS SERVICE					
3	C106.2.3	R	BUS	N/A		OBSOLETE 1-800 CALLING SERVICE
3	C106.2.3	R	RES	N/A		OBSOLETE 1-800 CALLING SERVICE
3						
3	OBS MESSAGE TELECOMMUNICATIONS SERVICE					
3	C106.2.5	R	BUS	ENT	-	OBSOLETE SPECIAL REVERSED CHARGE LD SERVICE
3	C106.2.5	R	BUS	ENV	-	OBSOLETE SPECIAL REVERSED CHARGE LD SERVICE
3					-	
3	OBS MESSAGE TELECOMMUNICATIONS SERVICE					
3	C106.3.1	R	RES	MMRX7	-	OBSOLETE METROPOLITAN PREFERRED AREA CALLINC
3	C106.3.1	R	RES	MMRX8	-	OBSOLETE METROPOLITAN PREFERRED AREA CALLINC

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