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January 5, 2005

To: All Arizona ILECs, CLECs, VoIP Providers, Wireless Providers, IXCs, Cable Companies, Electric Utilities and Other Interested Parties

Re: Generic Investigation of Competition in Arizona Telecom Markets
Docket No. T-00000I-04-0749

JAN 05 2005

Dear Sir or Madam:

On October 15, 2004, Commissioner William Mundell asked that a docket be opened and one or more Special Open Meetings be conducted to discuss the state of competition in Arizona telecommunications markets.[1] In accordance with Commissioner Mundell's request, the Staff recently opened a docket entitled "Generic Investigation of Competition in Arizona's Telecom Markets," Docket No. T-00000I-04-0749. In addition, the Commission has tentatively set aside February 2 and 4, 2004 as Special Open Meeting dates in order to begin a meaningful dialogue and exchange of information with industry.

The issues identified in Commissioner Mundell's letter, as well as the other Commissioners' letters submitted on this topic[2] are set forth below. All interested persons and industry participants are invited and encouraged to take part in this process and to provide input on the following topics and questions as well as any others that are believed to be relevant.

- Information on the state of competition in Arizona including residential and business customers served by each provider using breakdowns that would provide reasonably sound insight into competition within regions, counties, cities or other appropriate subdivisions following collection and display of each provider's data. Information on market share changes in particular areas would also be helpful.

- The impact of wireless and VoIP, or other options, on the demand for traditional wireline services for residential and business users, as well as information about any possible technological and economic impediments to these services and others becoming viable competitive service options. How can one determine whether these services act as actual substitutes for wireline service or merely act to supplement it or displace secondary lines?

[1] Subsequently, all remaining members of the Commission filed in support of Commissioner Mundell's proposed investigatory docket and Special Open Meeting.
[2] Commissioner Mundell's letter and the responses of all other Commission members are available on the Arizona Corporation Commission website at http://www.cc.state.az.usabout/letters.htm.

- How do the community of telecommunications providers believe that the degree and effectiveness of "competition" can be best assessed? In other words, what do providers consider to be the key measures or attributes for determining the competitiveness of the telecommunications environment in Arizona, in regions of the state or in any other form of subdivision within the state?

- The role of state versus federal regulation in the future. What is the appropriate level and focus of state regulation in the future? What direction can this Commission take without action first coming from the FCC? What impact will the FCC's growing role in this area have on the process at the state level and the ability of state commissions to act quickly to resolve issues that arise within their jurisdictions in the future?

- Is the current regulatory scheme based on out of date technology definitions? For instance, the distinction between local and long distance is blurring; and the distinction between information service and telecommunications service is blurring as well. Are these out of date technology definitions resulting in the application of a different regulatory paradigm for essentially like services? What can be done to ensure parity in treatment?

- How will recent federal decisions involving VoIP impact traditional telecommunications providers? Should VoIP providers be subject to universal service fund requirements, 911 requirements, CPNI requirements, and other important consumer health and safety requirements at the state level?

- Recent intensive lobbying efforts at the federal level have resulted in decisions that have brought increased certainty to some providers and considerable uncertainty to other providers. What signal does this send to potential investors and competitive providers? What impact have these recent efforts had on the future of competition? What impact have recent judicial and FCC rulings had on the state of competition. What can be done in Arizona to bring more certainty to telecommunications markets that may have been disrupted by events at the federal level?

- Where do providers of telecommunications see the industry going over the next year; five years; 10 years?

- What providers believe are any major impediments to the development of a competitive marketplace in Arizona?

- Despite the best efforts of state and federal regulators, competition in the residential market has been slow in coming, and still does not exist in most rural markets. What actions could state regulators take to bring more telecommunications service options to the residential markets in Arizona for the benefit of consumers?

- How do exclusive service arrangements or preferred provider agreements between developers and carriers affect competition in some markets in Arizona?

- To what extent is Broadband over Power Lines ("BPL") being utilized in any markets or trials in Arizona and how successful has this service been? What plans do Arizona electric companies have to provide this service in Arizona? What regulations should apply at the state level to the provision of BPL by electric companies and the services provided over these lines?

We request that all industry participants or interested parties file an original and thirteen copies of any information, comments, data and/or industry position papers responsive to the above issues with the Commission's Docket Control Center located at 1200 West Washington Street, Phoenix, Arizona 85007, on or before January 24, 2005. Please include a reference to Docket No. T-00000I-04-0749 and the associated caption on your filing(s). All information received will be provided to the Commission and made available for public discussion at the Special Open Meetings scheduled for February 2 and 4, 2004. The Staff would also like parties to take part in the panels that will be assembled to discuss these various issues. Please contact Brian C. McNeil at (602) 542-3931 on or before January 24, 2005 if you would be interested in participating in a panel discussion at the Special Open Meeting.

Thank you for your input into these important issues. If you have any questions, please feel free to contact my office.

Very truly yours,

Ernest G. Johnson
Director, Utilities Division

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