

Arizona Proposal

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COMMISSIONER-CHAIRMAN JAMES M. IRVIN

James M. Irvin was sworn into the Office of Commissioner of the Arizona Corporation Commission on January 6, 1997. On November 6, 1997, he was voted Commission Chairman. During his first year at the Arizona Commission, Chairman Irvin established a Universal Telephone Service Task Force with one of its primary functions being to investigate ways of bringing service to unserved and underserved areas of Arizona. Prior to beginning his service at the Commission, Chairman Irvin served in the private sector as Chief Executive Officer of C.S.G. Security Services, Inc. from 1983 to 1997 and as Vice-President of a Northern California Trucking Company from 1979 to 1983. Chairman Irvin has been named twice to the Who's Who of Business Executives; 1992-1993, and 1996-1997. He was also a member of the American Management Association, the President's Association Division. Chairman Irvin is also actively involved in the Phoenix community working with local schools, serving as a volunteer Deputy Sheriff, serving on the Board of Directors for Silent Witness, and participating as a member of Rotary International. He is a graduate of the University of Southern California with a bachelor of science degree in education. He also has a masters degree in business administration from Loyola Marymount University. He is married to Carol Fehring Irvin and has three children, Lauren, Ashley and Daniel.

June 2, 1998

**EXECUTIVE SUMMARY OF THE ARIZONA CORPORATION COMMISSION
PROPOSAL FOR DISTRIBUTION OF FEDERAL USF FUNDS TO ESTABLISH
SERVICE TO LOW-INCOME CUSTOMERS IN UNSERVED AREAS**

The Arizona Corporation Commission's ("Arizona Commission") Proposal is unlike the other Proposals before the FCC in that it covers a very discrete issue which undermines universal service in several regions of the country including western states such as Arizona and upon which the federal funding mechanism has thus far been silent. This problem is the inability of low-income customers located in unserved and underserved areas to obtain telephone service because they cannot afford to pay the line extension or construction charges necessary to extend facilities to their homes.

The Arizona Commission's Proposal is to set aside a fixed proportion of federal funds to begin to address the problem of unserved and underserved areas and the inability of low-income customers to obtain telephone service because they cannot afford to pay the required line extension or construction charges. The distribution of these funds would be accordance with fixed federal and state guidelines to be established by the Joint Board and FCC.

High Cost Fund ("HCF") support has traditionally and still is, only directed towards keeping monthly rates low for customers who already have telephone service. There is no vehicle or mechanism for assistance to help the "unserved" and "underserved" low-income customer to obtain telephone service. Other existing measures are also inadequate to effectively address this issue:

1. Section 214(e)(3) of the Telecommunications Act of 1996 ("Federal Act") relating specifically to unserved areas does not apply here. Specifically, the carrier is willing to serve the customer but due to the costs involved, the customer cannot afford to pay the line extension charges required under state tariff.
2. The FCC's Lifeline Program subsidizes the monthly rates of low-income customers. Unfortunately, because some low-income customers in Arizona are unable to pay to have facilities connected to them, they are unable to take advantage of this important program and the lower monthly rates.
3. The FCC's Link Up Program is limited to providing a reduction in the carrier's customary charge for commencing telecommunications service for a single telecommunications connection at a customer's place of residence. No assistance is provided to offset line extension or construction charges, which act to prevent the establishment of service in many cases.

4. Measures contained in existing state line extension or construction charge tariffs which pass through a reduced, pro-rated cost to the customer have not solved the problem since customers cannot afford to pay even the pro-rated cost.
5. While the Rural Utilities Service ("RUS") provides low interest loans to companies for the purpose of bringing facilities into remote areas, these loans are not available in all cases and some companies have chosen not to utilize this option.
6. Cellular or wireless technologies are not a viable option at this time since the networks do not yet exist in remote areas or in some instances wireless cannot be provided due to geographical constraints.

The Arizona Commission is recommending in its Proposal that the Joint Board and FCC take the following steps:

1. Define and recognize the problem at the federal level for purposes of the federal funding mechanism.
2. Determine the extent of the problem on a nationwide basis.
3. Focus upon low-income customers who meet the federal lifeline default eligibility criteria.
4. Allocate a fixed amount of federal USF funds to be used to partially offset line extension charges and/or line construction charges associated with establishing service to low-income customers.
5. Establishment of federal and state guidelines setting criteria and standards for distribution.
6. States to examine cases on an individual basis.