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ARIZONA CORPORATION COMMISSION

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July 27, 1999

Ms. Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

VIA ECFS

Re: Petition of Smith Bagley, Inc. for Designation as Eligible Telecommunications Carrier
CC Docket No. 96-45
DA 99-1331

Dear Secretary Salas:

In accordance with the FCC's July 6, 1999 Notice establishing a pleading cycle in this case, the Arizona Corporation Commission ("Arizona Commission") submits the following initial comments on the petition of Smith Bagley, Inc. ("SBI" or "Company") for designation as an Eligible Telecommunications Carrier ("ETC").

In its petition, SBI requests that it be "designated as eligible to receive all available support from the federal Universal Service Fund ("USF") for the federally reserved Native American lands within its service area." SBI Petition at p. 1. SBI goes on to request that the "FCC...independently implement a Universal System regime on Native American lands serviced by SBI." Petition at 3. Finally SBI asks for "appropriate waivers to expedite the provision of universal service to Native Americans." Id.

The Arizona Commission offers no comment on the substance of the Company's petition at this time and whether it meets the ETC criteria established by Congress and the FCC, but does take issue with the Company's suggestion that carriers providing service to Native American lands "are not subject to the jurisdiction of a state commission for purposes of 214(e)(6)" where they provide service to federal Indian reservations. See SBI Petition at p. 2. The Arizona Commission has jurisdiction over large portions of the Navajo reservation and others served by non-tribally owned telephone companies. The Arizona Commission also has jurisdiction over the provision of service by tribally owned telephone companies to customers located off of the reservation. Therefore, to the extent the Company is alleging in its Petition that the Arizona Commission has no jurisdiction over the provision of service to any tribal lands in Arizona, it is incorrect. Indeed, SBI

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currently has a petition pending with the Arizona Commission for designation as an ETC for some of the same areas covered or contained in the Petition it filed with the FCC which is now the subject of the instant proceeding. In addition, many of these areas are currently served by rural telephone companies.

Under Section 214(e)(2) of the Telecommunications Act of 1996 ("1996 Act"), it is the State commission's responsibility to designate ETCs for the service areas designated by the State commission. Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest. The Arizona Commission is in the process of reviewing SBI's petition which is pending before it, and intends to carry out its responsibilities under Section 214(e)(2) of the 1996 Act for all areas over which it has jurisdiction.

The Arizona Commission strongly supports the development of methods to bring telephone service to unserved and underserved consumers both on and off tribally owned lands. The Arizona Commission filed a Proposal in the FCC's Universal Service Docket to bring service to these customers. To-date, the FCC has taken no action on the Arizona Commission's Proposal other than to announce that a notice of proposed rulemaking would be issued in July to address the problem. As envisioned by the 1996 Act, the Arizona Commission strongly believes that a cooperative approach between both the FCC and affected State commissions in solving this important problem is in the public interest.

The Arizona Commission appreciates the opportunity to comment on SBI's Petition and looks forward to further participation in this Docket.

Very truly yours,

Maureen A. Scott
Attorney

Cc: Larry Strickling, Bureau Chief
Lisa Zaina, Deputy Bureau Chief
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Ronda Carrington

Ronda Carrington, Manager
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