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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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**COMMISSIONERS**

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

IN THE MATTER OF THE REVIEW AND  
POSSIBLE REVISION OF ARIZONA  
UNIVERSAL SERVICE FUND RULES,  
ARTICLE 12 OF THE ARIZONA  
ADMINISTRATIVE CODE

DOCKET NO. RT-00000H-97-0137

IN THE MATTER OF THE INVESTIGATION  
OF THE COST OF TELECOMMUNICATIONS  
ACCESS

DOCKET NO. T-00000D-00-0672

**STAFF'S NOTICE OF FILING MATRIX OF  
ISSUES**

Staff of the Arizona Corporation Commission ("Staff") hereby files its Matrix of Issues as required by the Hearing Division's August 21, 2008 Procedural Order.

RESPECTFULLY SUBMITTED this 7<sup>th</sup> day of October, 2008.

Maureen A. Scott, Senior Staff Counsel  
Legal Division  
1200 West Washington Street  
Phoenix, Arizona 85007  
Telephone: (602) 542-3402

Original and fifteen (15) copies  
of the foregoing filed this  
7<sup>th</sup> day of October 2008 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

OCT -7 2008

DOCKETED BY

1 Copies of the foregoing mailed this  
7<sup>th</sup> day of October 2008 to:

2 Michael W. Patten  
3 Roshka DeWulf & Patten, PLC  
4 One Arizona Center  
400 East Van Buren, Suite 800  
5 Phoenix, Arizona 85004

6 Mark A. DiNunzio  
7 Cox Arizona Telcom, LLC  
1550 West Deer Valley Road  
8 MS DV3-16, Building C  
Phoenix, Arizona 85027

9 Charles H. Carrathers, III  
10 General Counsel, South Central Region  
Verizon, Inc.  
11 HQE03H52  
600 Hidden Ridge  
12 Irving, Texas 75015-2092

13 Arizona Dialtone, Inc.  
14 Thomas W. Bade, President  
6115 South Kyrene Road, Suite 103  
15 Tempe, Arizona 85283

16 OrbitCom, Inc.  
17 Brad VanLeur, President  
1701 North Louise Avenue  
18 Sioux Falls, South Dakota 57107

19 Michael M. Grant  
20 Gallagher & Kennedy, P.A.  
2575 East Camelback Road  
Phoenix, Arizona 85016-9225

21 Isabelle Salgado  
22 AT&T Nevada  
645 East Plumb Lane, B132  
23 Post Office Box 11010  
Reno, Nevada 89520

24 Gregory Castle  
25 AT&T Services, Inc.  
525 Market Street, Room 2022  
26 San Francisco, California 94105

27  
28 ...

Thomas Campbell  
Michael Hallam  
Lewis and Roca LLP  
40 North Central Avenue  
Phoenix, Arizona 85004-4429

Arizona Payphone Association  
c/o Gary Joseph  
Sharenet Communications  
4633 West Polk Street  
Phoenix, Arizona 85043

Nathan Glazier  
Regional Manager  
Alltel Communications, Inc.  
4805 East Thistle Landing Drive  
Phoenix, Arizona 85044

Lyndall Nipps  
Vice President, Regulatory  
Time Warner Telecom  
845 Camino Sur  
Palm Springs, California 92262

Dennis D. Ahlers  
Associate General Counsel  
Integra Telecom, Inc.  
730 Second Avenue South, Suite 900  
Minneapolis, Minnesota 55402

Rex Knowles  
Executive Director – Regulatory  
XO Communications  
Suite 1000  
111 East Broadway  
Salt Lake City, Utah

Joan S. Burke, Esq.  
Osborn Maledon PA  
2929 North Central Avenue  
Phoenix, Arizona 85012

- 1 Dan Pozefsky, Chief Counsel  
RUCO  
2 1110 West Washington, Suite 220  
Phoenix, Arizona 85007  
3  
4 Norm Curtright  
Reed Peterson  
Qwest Corporation  
5 20 East Thomas Road, 16<sup>th</sup> Floor  
Phoenix, Arizona 85012  
6  
7 Craig A. Marks  
Craig A. Marks, PLC  
10645 North Tatum Blvd  
8 Suite 200-676  
Phoenix, Arizona 85028  
9  
10 William A. Haas  
Deputy General Counsel  
McLeodUSA Telecommunications Services,  
11 Inc.  
6400 C Street SW  
12 Cedar Rapids, Iowa 52406  
13  
14 Chris Rossie  
President, Local 7019  
Communication Workers of America  
11070 North 24<sup>th</sup> Avenue  
15 Phoenix, Arizona 85029  
16  
17 Greg L. Rogers  
Senior Corporate Counsel  
Level 3 Communications, LLC  
1025 Eldorado Boulevard  
18 Broomfield, Colorado 80021  
19  
20 Arizona Reporting Service, Inc.  
2200 North Central Avenue, Suite 502  
Phoenix, Arizona 85004-1481

21  
22  
23  
24  
25  
26  
27  
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The Administrative Law Judge's ("ALJ") August 21, 2008 Procedural Order requires the parties to file a matrix of issues and procedural recommendations by October 7, 2008. After having engaged in the numerous discussions and conference calls, it became apparent that it would not be possible to agree completely on the issues that need to be addressed let alone reach agreement on any of the individual issues without a significant investment of time and effort. In fact, no consensus on any of the issues was reached. The parties did agree that the list that was developed by Curt Huttshell of Frontier Communications on behalf of the Arizona Local Exchange Carriers Association ("ALECA") is the minimum set of issues that should be addressed in this proceeding. In addition, the parties agreed that each party should have the option of including additional issues in their individual filing as they believe appropriate.

The minimum list of issues developed by the parties includes the following:

1. Which carriers' access rates should be the subject of this proceeding? Rural ILECs only? CLECs too?
2. What access rate level and structure should be targeted? Interstate? Qwest's current intrastate access rate level? Elimination of the CCL?
3. How much of access cost recovery, if any, should be shifted to end users?
4. What showing should be required for such an access cost recovery shift?
5. What should be the role of "benchmark" rates, and how should benchmarks be set?
6. How much of access cost recovery, if any, should be shifted to the AUSF?
7. What showing should be required for such a shift to AUSF?
8. How long should a transition period be, if any?
9. Which carriers should be eligible for AUSF support?
10. What should be supported by the AUSF? Access replacement only? High cost loops? Line extensions? Centralized administration and automatic enrollment for Lifeline and Link-Up?
11. What should be the basis of AUSF contributions and what should be the structure of any AUSF surcharge(s)?
12. Another set of issues involves the desirable properties of any method used to estimate the "access shift" or the necessary size of any AUSF.

Although the parties have identified the issues above, Staff continues to believe that a significant number of the issues identified in Staff's September 9, 2007 List of Issues still need to be addressed either by the parties in the development of a consensus position or by the Commission in its Decision approving any Access Charge and/or AUSF reform.

Staff believes that the following additional issues should also be addressed:

## AUSF Issues

13. Which items should be assessed AUSF surcharges and how should the AUSF surcharges be calculated?
14. What are the corresponding AUSF reporting requirements?
15. Do the existing rules need to be reviewed for companies serving high cost areas?
16. Should all carriers be treated the same regardless of service area or technology used?
17. Should revisions to existing AUSF rules be made during the course of this proceeding?
18. Should AUSF rules be amended to allow upfront recovery of construction costs in certain instances? If so, how should recovery be accounted (e.g. contribution in aid of construction)?
19. Should a company be required to meet a set of criteria before it is allowed to obtain AUSF revenues to compensate it for reductions in access revenues resulting from access charge reform?
20. Should AUSF funding be available to competitive eligible telecommunications carriers?
21. Should AUSF funding be provided to companies that are not certified as eligible telecommunications carriers, but are regulated by the ACC?
22. Should companies be required to file a rate case to obtain AUSF revenues? Determine whether under Arizona Law, there can be changes to a carrier's rates outside of a rate case.
23. What method should be used to determine whether a company should receive AUSF payments, if a rate case is not required?
24. Should the AUSF rules be amended to allow for the provision of telephone service in unserved or underserved areas?
25. Should the AUSF rules be amended to allow for incentives to companies to the provide telephone service in unserved or underserved areas?
26. Should CLECs, including non-regulated carriers such as cable VoIP be eligible for and, if so, should CLECs have to prove a need for AUSF revenues? If so, to what extent?
27. How should the specific services that would be eligible for AUSF assistance be defined?
28. Should AUSF payments be used for line extensions and if so how should eligible costs be determined?
29. Should AUSF be used to improve participation in Lifeline and Link-Up?

30. Should the Lifeline and Link-Up enrollment program recommended by the ETCs be implemented or is there another more cost effective method for increasing Lifeline and Link-Up participation?
31. Is the funding mechanism for the enrollment program recommended by the ETCs appropriate? If so, should the cost be borne by the ETCs as a cost of doing business or would some other method of funding be better?
32. Are the projections for potential Lifeline and Link-Up customers reasonable or is there data that would increase or decrease the cost/benefit estimates contained in the ETC's Report?
33. If the recommendations in the ETC's Report are to be implemented, how should the AUSF rules be modified to address the enrollment program, the logistics of implementation, and the payments that would be made to the Department of Economic Security ("DES") for its participation?
34. Should there be a "cap" on the payments that could be made to DES for its participation in the enrollment program? If so, how might such a cap be determined?
35. Should there be some form of "sunset clause" that would end the enrollment program? If so, what would be the appropriate criteria for ending the program?
36. To what extent have other states promoted enrollment in Lifeline and Link-Up as recommended in the ETC's Report?
37. If already implemented, to what extent have state efforts been effective, both from an enrollment and cost perspective?
38. To what extent have communication services from non-ETCs, such as prepaid wireless offerings as one example, become the service of choice for eligible Lifeline customers who otherwise may have subscribed to an ETC's Lifeline service?
39. How should the changes to the Federal Universal Service Fund be taken into account?
40. How would receipt of AUSF under revised rules be adjusted for current recipients of AUSF (current allocation reduced/terminated)?
41. How should the anticipated revision to Federal USF rules be accounted for under revised AUSF rules?

#### Access Charge Issues

42. Should intrastate access charges be reformed?
43. To what extent would the FCC's proceeding to reform intercarrier compensation affect the ACC's actions to reform intrastate access charges?

44. Should quantification of implicit subsidies be a component of analysis that the Commission undertakes when it considers access charge reform?
45. Should the AUSF pick up any revenue reduction that may occur as a result of the reform of access charges? If so, what parameters should be used to determine the amount that should be picked up by the AUSF?
46. Should the revenue reductions that result from the reform of access charges be quantified?
47. Should any additional considerations be taken into account when restructuring and/or setting access charges for small rural carriers?
48. Should the Commission address CLEC access charges as part of this Docket?
49. Is mirroring of interstate access charges still an appropriate goal?
50. Are there any fund administration issues that might need to be addressed when going from a fairly small fund to a multi-million dollar fund?