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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

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

INTEGRA TELECOM'S STATEMENT ON ISSUES

Pursuant to the August 21, 2008, Procedural Order, Integra Telecom, Inc. ("Integra") submits its recommendations on certain initial issues that were identified during industry meetings related to this docket as well as an additional threshold procedural issue.

OVERVIEW

During the course of industry meetings concerning this docket, ALECA compiled a list of ten issues that it believed needed to be addressed. It also became clear during those meetings that it would not be possible to arrive at any sort of consensus on the key issues in the docket. The parties agreed that each interested party would submit its own position on the ten issues identified by ALECA and also would identify any additional issues that it believed should be addressed.

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Arizona Corporation Commission

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INTEGRA'S POSITION ON ISSUES

A. Integra's Threshold Procedural Issue.

1. Is an examination of switched access rates necessary in Arizona at this time?

Integra believes that an examination of switched access rates in Arizona is premature. Given the access charge proposals currently being discussed at the FCC which would impose intrastate access rates on the states such as Missoula Intercarrier Compensation Reform Plan, ,CC Docket No. 01-92 and AT&T Petition for Interim Declaratory Ruling and Limited Waivers Regarding Access Charges and the "ESP Exemption", WC Docket No. 08-152, there is a significant risk the access charge portion of this proceeding will be rendered irrelevant. Moreover, given the proposed linkage between the access charges and the AUSF, AUSF reform would also be affected by FCC action.

B. ALECA's Issue List.

1. Which carriers' access rates should be the subject of this proceeding? Rural ILECs only? CLECs too?

The rural ILECs should be the subject of the initial phase of this proceeding. CLECs should be the subject of a subsequent phase of this proceeding. The parties have already spent considerable time on the issues surrounding rural ILECs, such as what access cost recovery should be shifted to the AUSF, who should be eligible for AUSF and what should be the basis for rural ILEC rates, and what benchmark should be applicable to the rural ILECs and a lot more will be spent on those issues, which are basically irrelevant to CLECs. The situation and facts relevant to rural ILECs are different than those that apply to CLECs. It makes no sense to involve rural ILECs in CLEC issues and CLECs in rural ILEC issues.

2. What access rate level and structure should be targeted? Rather than a target shouldn't it be based upon cost and economic and competitive factors? Interstate? Qwest's current intrastate access rate level? Elimination of the CCL?

Integra does not take a position on this issue at this time.

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3. How much of access cost recovery, if any, should be shifted to end users? How would that be done and what would be the effects on business users as well as residential users? What showing should be required for such a shift? What should be the role of "benchmark" rates, and how should benchmarks be set?

Integra does not take a position on this issue at this time.

4. How much of access cost recovery, if any, should be shifted to the AUSF? What showing should be required for such a shift?

Integra does not take a position on this issue at this time.

5. Which carriers should be eligible for AUSF support?

Integra does not take a position on this issue at this time.

6. How long should a transition period be, if any?

Integra does not take a position on this issue at this time.

7. 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?

Integra does not take a position on this issue at this time.

8. What should be the basis of AUSF contributions and what should be the structure of any AUSF surcharge(s)?

Integra does not take a position on this issue at this time.

9. Other substantive issues?

If this docket proceeds at this time, the Commission should consider addressing the following issues:

- a. What is the appropriate access level that will allow local carriers to recover their costs? Can and should the Commission set rates without a finding as to the costs and the setting of rates based on costs and earnings? Does the Commission have the authority to do so under state law?
- b. What are the potential impacts on local competition of reducing access charges?
- c. Should IXCs be required to pass through any and all reductions in switched access charges to their end users? If not, why is any reduction called for?
- d. Should rural ILECs have to show that, if access rates are reduced, that such reductions result in an inadequate return on investment, before they can raise local rates or recover cost from the AUSF?

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