BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman

WILLIAM MUNDELL
Commissioner

JEFF HATCH-MILLER
Commissioner

KRISTIN MAYES
Commissioner

GARY PIERCE
Commissioner

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

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

DOCKET NO. RT-00000H-97-0137

DOCKET NO. T-00000D-00-0672

VERIZON'S LIST OF ISSUES

Verizon California, Verizon Business Services, Verizon Long Distance, and
Verizon Wireless (collectively, "Verizon") file this List of Issues and Procedural
Recommendations in accord with the Commission's Procedural Order dated August 20,
2008.
Verizon understands that all parties have agreed to a list of ten issues. These issues, and Verizon’s position on each, are set forth below (Verizon’s positions are explained more fully in Verizon’s previously filed comments in this docket)

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

   All carriers' access rates should be addressed in this proceeding, including CLEC rates.

2. What access rate level and structure should be targeted? Interstate? Qwest's current intrastate access rate level? Elimination of the CCL?

   As a starting point for access reform in Arizona, all carriers rates should be reduced to Qwest’s current intrastate levels, and all CCL charges should be eliminated.

3. How much of access cost recovery, if any, should be shifted to end users? What showing should be required for such a shift? What should be the role of "benchmark" rates, and how should benchmarks be set?

   Most, if not all, access cost recovery should be shifted to end users. As Verizon explained in previous comments, the Commission should allow carriers to propose a retail rate design plan that would make up for lost access charge revenues. Any change in rates should be made simultaneously with access charge reductions, and, if necessary, could be phased-in over a period of time.

   Verizon is willing to consider shifting some access cost recovery to the AUSF; provided, however, that any resulting AUSF remains relatively small and is “capped” to prevent future increases. With this approach, the Commission would adopt either a single benchmark rate for all carriers or several benchmark rates. Carriers would “migrate” their current basic service rates to these benchmark rates over a period of time.
The starting or minimum benchmark rate should at least be equal to Qwest's current basic service rate, which is approximately $15.00 per month.

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

See response to Question 3.

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

The Commission need not have a single transition period for all carriers. Some carriers may be able to transition to the maximum benchmark rate immediately; others may require two or three years.

6. Which carriers should be eligible for AUSF support?

AUSF funding should be available to any carrier that can provide the basic local services identified by the Commission. However, the Commission should restrict disbursements from the AUSF to one carrier per geographic area. Competing carriers can still offer service, but only one carrier would be subsidized for accepting the obligation to provide service.

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?

The AUSF should support only very limited, if any, access replacement. As Verizon explained in its earlier comments, the AUSF should not fund line extensions, and there is no evidence that centralized administration or automatic enrollment for Lifeline and Link-Up is necessary to promote universal service.
8. What should be the basis of AUSF contributions and what should be the structure of any AUSF surcharge(s)?

At this time, Verizon does not object to some parties' proposals to base AUSF contributions on intrastate telecommunications revenues and to collect contributions via an end-user surcharge. If, however, the FCC adopts a numbers-based methodology, the AUSF should adopt it.

9. Other substantive issues?

N/A

10. How is the best way to proceed resolving the foregoing issues?

The Commission should require testimony and a hearing on all contested issues. The parties have been engaged in settlement discussions over the past several months, but have not yet reached agreement on any issue. If they reach a settlement before testimony is due or the hearing is held, they can submit it to the Commission and seek changes to the schedule.

RESPECTFULLY SUBMITTED this 7th day of October, 2008.

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