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

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.
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.
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 IXC 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, such reductions result in an inadequate return on investment, before they can raise local rates or recover cost from the AUSF?
10. How is the best way to proceed resolving the foregoing issues?

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

RESPECTFULLY SUBMITTED this 7th day of October 2008.

INTEGRA TELECOM, INC.

By

Michael W. Patten
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004
(602) 256-6100

ORIGINAL and 15 COPIES of the foregoing filed this 7th day of October 2008 with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COPIES of the foregoing mailed/ emailed this 7th day of October 2008 to:

Dan Pozefsky
Residential Utilities Consumer Office
1110 West Washington, Suite 220
Phoenix, Arizona 85007
dpozefsky@azruco.gov

Reed Peterson
Qwest Corporation
20 East Thomas Road
16th Floor
Phoenix, Arizona 85012

Norm Curtright
Qwest Corporation
20 East Thomas Road, 16th Floor
Phoenix, Arizona 85012

Craig A. Marks
Craig A. Marks, PLC
10645 N. Tatum Blvd.
Suite 200-676
Phoenix, AZ 85028
Craig.Marks@azbar.org
Attorney for ALECA
Michael M. Grant
Gallagher & Kennedy
2575 East Camelback Road
Phoenix, AZ 85016
mmg@gknet.com
Attorneys for AT&T

Isabelle Salgado
AT&T Nevada
645 E. Plumb Lane, B132
P.O. Box 11010
Reno, NV 89520
dan.foley@att.com
gel831@att.com

Joan S. Burke
Osborn Maledon, PA
2929 North Central Avenue,
Suite 2100
Phoenix, AZ 85012
iburke@omlaw.com
Attorneys for Time Warner Telecom
Attorneys for XO Communications

Lyndall Nipps
Vice President, Regulatory
Time Warner Telcom
845 Camino Sur
Palm Springs, CA 92262
Lyndall.Nipps@twtelecom.com

Dennis D. Ahlers
Associate General Counsel
Eschelon Telecom, Inc.
730 Second Avenue, Suite 900
Minneapolis, MN 55402
Attorneys for Eschelon Telecom, Inc.
Attorneys for Integra Telecom, Inc.
ddahlers@eschelon.com

Thomas Campbell
Michael Hallam
Lewis and Roca LLP
40 North Central
Phoenix, Arizona 85004
tcampbell@lrlaw.com
mhallam@lrlaw.com
Attorneys for Verizon

Rex Knowles
Executive Director — Regulatory
XO Communications, Suite 1000
111 E. Broadway
Salt Lake City, UT 84111
Rex.knowles@xo.com

Charles H. Carrathers, III
General Counsel, South Central Region
Verizon, Inc.
HQE03H52
600 Hidden Ridge
Irving, Texas 75015-2092
chuck.carrathers@verizon.com

Thomas W. Bade, President
Arizona Dialtone, Inc.
717 W. Oakland St.
Chandler, Arizona 85226
Tombade@arizonadialtone.com

Brad VanLeur, President
OrbitCom, Inc.
1701 N. Louise Ave.
Sioux Falls, SD 57107
bvanleur@svtv.com

Karen E. Nally
Moyes Sellers & Sims, Ltd.
1850 North Central Ave, Ste 1100
Phoenix, Arizona 85004
kenally@lawms.com
garyj@nationalbrands.com
Nathan Glazier
Regional Manager
Alltel Communications, Inc.
4805 E. Thistle Landing Dr.
Phoenix, Arizona 85044
Nathan.glazier@alltel.com

Chris Rossie
President, Local 7019
Communication Workers of America
11070 North 24th Avenue
Phoenix, Arizona 85029

Mark A. DiNunzio
Cox Arizona Telcom, LLC
1550 West Deer Valley Road
MS DV3-16, Bldg C
Phoenix, AZ 85027
mark.dinunzio@cox.com

Greg L. Rogers
Senior Corporate Counsel
Level 3 Communications, LLC
1025 Eldorado Boulevard
Broomfield, Colorado 80021

William A. Haas
Deputy General Counsel
McLeodUSA Telecommunications Services, Inc.
6400 C. Street SW
Cedar Rapids, Iowa 52406
Bill.Haas@mcleodusa.com

Jane Rodda, Esq.
Utilities Division
Arizona Corporation Commission
400 West Congress
Tucson, Arizona 85701

Ms. Janice Alward, Esq.
Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson, Esq.
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: [Signature]