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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF
NATIONAL ACCOUNTS, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE COMPETITIVE
RESOLD INTEREXCHANGE
TELECOMMUNICATIONS SERVICES EXCEPT
LOCAL EXCHANGE SERVICES

DOCKET NO. T-03226A-96-0388

DECISION NO. 63533

Arizona Corporation Commission

ORDER DOCKETED

MAR 30 2001

Open Meeting
March 27 and 28, 2001
Phoenix, Arizona

DOCKETED BY	<i>VR</i>
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BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On July 15, 1996, National Accounts, Inc. ("National" or "Applicant") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive interexchange telecommunications services, except local exchange services, as a reseller within the State of Arizona.

2. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") were public service corporations subject to the jurisdiction of the Commission.

3. Applicant an Arizona corporation authorized to do business in Arizona since 1993.

4. Applicant is a switchless reseller, which purchases telecommunications services from various telecommunications service providers.

5. On August 26, 1996, Applicant filed Affidavits of Publication indicating compliance with the Commission's notice requirements.

6. On January 17, 2001, the Commission's Utilities Division Staff ("Staff") filed a Staff

1 Report.

2 7. In the Staff Report, Staff stated that the Applicant provided its unaudited financial
3 statements for the year ended December 31, 1999. These financial statements list assets of \$1.5
4 million, shareholders' equity of \$33,438, and retained earnings of \$805,969. Based on the foregoing,
5 Staff believes that Applicant lacks adequate financial resources to be allowed to charge customers
6 any prepayments, advances or deposits without establishing an escrow account or posting a surety
7 bond. The Applicant stated in its application that it does not charge its customers for any
8 prepayments, advances, or deposits.

9 8. The Staff Report stated that Applicant has no market power and the reasonableness of
10 its rates would be evaluated in a market with numerous competitors.

11 9. In its Report, Staff recommended the following:

12 (a) Applicant should be ordered to comply with all Commission rules, orders and
13 other requirements relevant to the provision of intrastate telecommunications services;

14 (b) Applicant should be ordered to maintain its accounts and records as required
15 by the Commission;

16 (c) Applicant should be ordered to file with the Commission all financial and other
17 reports that the Commission may require, and in a form and at such times as the
18 Commission may designate;

19 (d) Applicant should be ordered to maintain on file with the Commission all
20 current tariffs and rates, and any service standards that the Commission may require;

21 (e) Applicant should be ordered to comply with the Commission's rules and
22 modify its tariffs to conform to these rules if it is determined that there is a conflict
23 between the Applicant's tariffs and the Commission's rules;

24 (f) Applicant should be ordered to cooperate with Commission investigations of
25 customer complaints;

26 (g) Applicant should be ordered to participate in and contribute to a universal
27 service fund, as required by the Commission;

28 (h) Applicant should be ordered to notify the Commission immediately upon
changes to the Applicant's address or telephone number;

(i) If at some future date, the Applicant wants to charge any prepayments,
advances, or deposits, it must file information with the Commission that demonstrates

1 the Applicant's financial viability. Upon receipt of such filing, Staff will review the
 2 information and the Commission will make a determination concerning the
 3 Applicant's financial viability and whether customer prepayments, advances or
 4 deposits should be allowed;

5 (j) Applicant's intrastate interexchange service offerings should be classified as
 6 competitive pursuant to A.A.C. R14-2-1108;

7 (k) The rates proposed by the Applicant in its most recently filed tariffs should be
 8 approved on an interim basis. The maximum rates for these services should be the
 9 maximum rates proposed by the Applicant in its proposed tariffs. The minimum rates
 10 for the Applicant's competitive services should be the Applicant's total service long
 11 run incremental costs of providing those services as set forth in A.A.C. R14-2-1109;
 12 and

13 (l) In the event that the Applicant states only one rate in its proposed tariff for a
 14 competitive service, the rate stated should be the effective (actual) price to be charged
 15 for the service as well as the service's maximum rate.

16 10. Staff further recommended approval of the application subject to the following
 17 conditions:

18 (a) That Applicant should be ordered to file conforming tariffs within 30 days of
 19 an Order in this matter, and in accordance with the Decision;

20 (b) That Applicant should be required to file in this Docket, within 18 months of
 21 the date it first provides service following certification, sufficient information for Staff
 22 analysis and recommendation for a fair value finding, as well as for an analysis and
 23 recommendation for permanent tariff approval. This information must include, at a
 24 minimum, the following:

25 1. A dollar amount representing the total revenue for the first twelve
 26 months of telecommunications service provided to Arizona customers by the
 27 Applicant following certification, adjusted to reflect the maximum rates that
 28 the Applicant has requested in its tariff. This adjusted total revenue figure
 could be calculated as the number of units sold for all services offered times
 the maximum charge per unit.

2. The total actual operating expenses for the first twelve months of
 telecommunications service provided to Arizona customers by the Applicant
 following certification.

3. The value of all assets, listed by major category, used for the first
 twelve months of telecommunications service provided to Arizona customers
 by the Applicant following certification. Assets are not limited to plant and
 equipment. Items such as office equipment and office supplies should be
 included in this list.

(c) Applicant's failure to meet the condition to file sufficient information for a fair

value finding and analysis and recommendation of permanent tariffs shall result in the expiration of the certificate of the tariffs.

11. On August 29, 2000, the Court issued its Opinion in US WEST Communications, Inc. v. Arizona Corporation Commission, 1 CA-CV 98-0672, holding that "the Arizona Constitution requires the Commission to determine fair value rate bases for all public service corporations in Arizona prior to setting their rates and charges."

12. On October 26, 2000, the Commission filed a Petition for Review to the Arizona Supreme Court.

13. On February 13, 2001, the Commission's Petition was granted.

14. Based on the above, we will approve the application of National at this time with the understanding that it may subsequently have to be amended to comply with the law after the exhaustion of all appeals.

15. No exceptions were filed to the Staff Report, nor did any party request that a hearing be held.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. Applicant's provision of resold intrastate telecommunications services is in the public interest.

5. Applicant is a fit and proper entity to receive a Certificate for providing competitive intrastate telecommunications as a reseller in Arizona.

6. Staff's recommendations in Findings of Fact Nos. 9 and 10 are reasonable and should be adopted.

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ORDER

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2 IT IS THEREFORE ORDERED that the application of National Accounts, Inc. for a
3 Certificate of Convenience and Necessity for authority to provide competitive interexchange
4 telecommunications services, except local exchange services, as a reseller shall be and the same is
5 hereby granted, except that National Accounts, Inc. shall not be authorized to charge customers any
6 prepayments, advances, or deposits. In the future, if National Accounts, Inc. desires to initiate such
7 charges, it must file information with the Commission that demonstrates the Applicant's financial
8 viability. Staff shall review the information provided and file its recommendation concerning
9 financial viability and/or the necessity of obtaining a performance bond within thirty (30) days of
10 receipt of the financial information, for Commission approval.

11 IT IS FURTHER ORDERED that National Accounts, Inc. shall comply with the Staff
12 recommendations set forth in Findings of Fact Nos. 9 and 10.

13 IT IS FURTHER ORDERED that National Accounts, Inc. shall file the following FVRB
14 information within 18 months of the date that it first provides service. The FVRB shall include a
15 dollar amount representing the total revenue for the first twelve months of telecommunications
16 service provided to Arizona customers by National Accounts, Inc. following certification, adjusted to
17 reflect the maximum rates that National Accounts, Inc. requests in its tariff. This adjusted total
18 revenue figure could be calculated as the number of units sold for all services offered times the
19 maximum charge per unit. National Accounts, Inc. shall also file FVRB information detailing the
20 total actual operating expenses for the first twelve months of telecommunications service provided to
21 Arizona customers by National Accounts, Inc. following certification. National Accounts, Inc. shall
22 also file FVRB information which includes a description and value of all assets, including plant,
23 equipment, and office supplies, to be used to provide telecommunications service to Arizona
24 customers for the first twelve months following National Accounts, Inc.'s certification.

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1 IT IS FURTHER ORDERED that within 30 days of the effective date of this Decision,
2 National Accounts, Inc. shall notify the Compliance Section of the Commission of the date that it will
3 begin or has begun providing service to Arizona customers.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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7  
8 CHAIRMAN COMMISSIONER COMMISSIONER

9
10 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
11 Secretary of the Arizona Corporation Commission, have
12 hereunto set my hand and caused the official seal of the
13 Commission to be affixed at the Capitol, in the City of Phoenix,
14 this 30th day of March, 2001.

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16 BRIAN C. McNEIL
17 EXECUTIVE SECRETARY

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2 DOCKET NO.: T-03226A-96-0388

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