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VarTec Telecom, Inc.

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VIA OVERNIGHT DELIVERY

AZ CORP COMMISSION
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Docket Control Center

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

Arizona Corporation Commission
DOCKETED

JAN 27 2005

RE: Docket No. T-03401-04-0945 Data Request No. 1
VarTec Telecom, Inc.

DOCKETED BY *AW*

Dear Sir or Madame:

Submitted herewith for filing on behalf of VarTec Telecom, Inc. ("VarTec") are an original and thirteen (13) copies of the Company's responses to Data Request No. 1 in Docket No. T-03401A-04-0945.

- 1. Please provide a statement setting forth the reasons for which a rate increase is required.**

VarTec is increasing the Payphone Use Surcharge in response to the Federal Communication Commission's Report and Order in Docket No. 03-225 increasing the payphone compensation rate for dial-round calls to \$0.494 from \$0.24.

- 2. Is there a cost based justification for the rate increase (i.e., is the rate increase necessary to account for a change in your costs)? If yes, please describe the change in your costs. Provide calculations and data to support your cost justification. The FCC's Payphone Order (The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Report and Order, Docket No. 96-128, 11 FCC Rcd 20,541 (1996)) provides that an IXC may recover its costs for administering and paying compensation to payphone service providers (PSPs). Please explain in as much detail as possible how VarTec arrived at \$0.106 (\$0.60-\$0.494=\$0.106) in administrative costs associated with each payphone surcharge. Staff needs detailed explanations for the entire increase above \$0.494 regardless of the number of telecommunications participants, such as underlying carriers, involved.**

VarTec submits payments to pay telephone owners in Arizona through the Cincinnati Bell Pay Telephone Clearinghouse. As of September 27, 2004, VarTec has compensated pay telephone owners at the Federal Communication Commission's mandated rate of \$0.494 per completed call. VarTec incurs additional processing

costs from the clearinghouse, as well as internal costs, as a result of this mandatory compensation regime. A summary of the additional processing costs is provided below:

| | |
|----------------------------------|----------------|
| Quarterly Administrative Costs* | \$40,677.95 |
| <u>Estimated Calls</u> | <u>790,152</u> |
| Administrative Costs/Call | \$0.051 |
| | |
| FCC Mandated Reimbursement | \$0.494 |
| <u>Administrative Costs/Call</u> | <u>\$0.051</u> |
| Total Per Call Costs | \$0.545 |

**Based on actual processing fees paid to Cincinnati Bell Pay Telephone Clearinghouse for Third Quarter 2004 in addition to the FCC mandated per-call compensation amount. This amount does not include internal costs (e.g., wages) that the Company incurs as a result of this mandated compensation regime. Data includes combined costs for VarTec Telecom, Inc. and Excel Telecommunications, Inc.*

- 3. Please provide a schedule of current rates and proposed rates and the additional revenues to be derived from the proposed rates.**

VarTec is proposing to increase the Payphone Use Surcharge from \$0.25 to \$0.60. VarTec anticipates that the increase in the Company's Payphone Use Surcharge will be revenue neutral as the increase is only intended to recover the cost of the new payphone compensation rate.

- 4. Please provide an affidavit verifying that the appropriate notice of the proposed rate increase has been provided to customers of the service.**

Please see attached.

- 5. Please provide a copy of the customer notification you sent to customers.**

Please see attached.

Please acknowledge receipt of this filing by returning the duplicate copy of this letter in the enclosed, self-addressed, stamped envelope. If you have any questions regarding this filing, please contact the undersigned at (972) 478-3363.

Respectfully submitted,



Erin L. Curry
Regulatory Analyst II

Enclosures

cc: Kevin Allen
Manager, Regulatory Affairs

(Please note that the Company's address has changed to: 2440 Marsh Lane, Carrollton, Texas 75006.)

AFFIDAVIT

STATE OF TEXAS

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§
§

COUNTY OF DALLAS

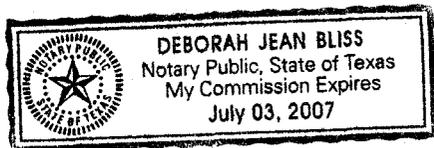
I, Chad Grosser, of lawful age, being first duly sworn depose and say as follows:

1. I am Director of Marketing for VarTec Telecom, Inc., and I am authorized and competent to make this verification on behalf of the Company.
2. VarTec has provided to customers via direct mail, beginning December 27, 2004, the notice of price changes submitted to the Commission in Docket No.T-03401A-04-0945 .
3. Further the affiant sayeth not.



Chad Grosser
Director of Marketing
VarTec Telecom, Inc.

SWORN TO AND SUBSCRIBED before me on this 26th day of January, 2005.



Notary Public In and For the
State of Texas

My commission expires: July 03 2007



Your Rates, Terms or Services have Changed

Notice of Price Increase

Thank you for your patronage. We would like to make you aware that effective February 1, 2005, there will be a surcharge increase on calling cards and toll-free (8XX) numbers. This increase is the result of an FCC order that increased costs for long distance carriers like VarTec Telecom.

The surcharge to use your calling/travel card from a pay phone is increasing from \$0.25 to \$0.60 per call. Additionally, the surcharge for a call originating from a payphone to your toll-free number is increasing from \$0.25 to \$0.60 per call.

These changes are subject to Commission approval. See www.vartec.com or call customer service at 1-800-708-7395 for further details or if you wish to cancel any services related to these changes. We appreciate your business and thank you for your continued support.

Sincerely,

Your Friends at VarTec Telecom





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**Thank you for being
a loyal customer!**

VarTec Telecom
2440 Marsh Lane
Carrollton, TX 75006



1-800-708-7395
www.vartec.com

