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**ARIZONA CORPORATION COMMISSION**

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January 21, 2005  
Arizona Corporation Commission  
**DOCKETED**

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AZ CORP COMMISSION  
DOCUMENT CONTROL

Kevin Allen  
Manager, Regulatory Affairs  
VarTec Telecom, Inc.  
2440 Marsh Lane  
Carrollton, Texas 75006

RE: Staff's Letter of Insufficiency and First Set of Data Requests to VarTec Telecom, Inc. d/b/a VarTec Telecom®, Clear Choice Communications®, and Telephone Express® ("VarTec") regarding the revision of A.C.C. Tariff No. 1, Docket No. T-03401A-04-0945

Dear Mr. Allen:

As a competitive telecommunications provider, VarTec is subject to Title 14, Article 11 (Competitive Telecommunications Services) of the Arizona Administrative Code. Section 1110 of Title 14, Article 11 describes the procedure for applying to the ACC for an increase in the maximum rate for a competitive telecommunications service.

In order to increase the maximum tariffed rate for a competitive telecommunications service, the applicant shall submit an application to the Commission containing the following information:

1. A statement setting forth the reasons for which a rate increase is required;
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. (*See attached Data Request for additional details.*)
3. A schedule of current rates and proposed rates and the additional revenues to be derived from the proposed rates;
4. An affidavit verifying that appropriate notice of the proposed rate increase has been provided to customers of the service; and
5. A copy of the customer notification you sent to your customers.

VarTec's filing includes an increase in the maximum rate for the following:

- Payphone Use Surcharge from 25¢ to 60¢

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Therefore, it will be necessary for you to provide the information described in 1-5 above. Please indicate if any of the information noted above has been already supplied in VarTec's January 3, 2005 filing or provide updated information as needed. The Commission or Staff may request any additional information in support of the application. Staff cannot begin to process this filing until this information is received.

The complete text of Title 14, Article 11 can be found at:

<http://www.cc.state.az.us/rules/telco.htm>

Staff has also determined that additional information related to question 2, noted above, is required to complete its recommendation for consideration by the Arizona Corporation Commission ("ACC"). The attached data request expresses the information Staff needs to complete its analysis of VarTec's tariff filing. For each answer, please identify by name, title, and address each person providing information that forms the basis for the response provided.

These data requests are continuing, and your answers or any documents supplied in response to these data requests should be supplemented with any additional information or documents that come to your attention after you have provided your initial responses.

Please provide Docket Control with the information being requested within **10 days** of the date of this letter. Mail an original plus 13 copies to Docket Control, Arizona Corporation Commission, 1200 W. Washington Street, Phoenix, AZ 85007-2927. If no response is received or all deficiencies are not remedied within 10 days, Staff will recommend that the application be terminated as per Rule R14-2-1103(B)3 and R14-2-510(E)3. If the application is terminated, the Applicant cannot provide the same telecommunications services in Arizona for which it is currently applying, until such time as a new application is filed with and approved by the Commission.

Remember that information submitted for a tariff rate increase will be made a part of the public record (including financial statements). Any information designated as confidential will not be accepted by Docket Control.

If you have any questions about this matter, please contact me at (602) 542-0742. Thank you for your prompt response to this request.

Sincerely,



Armando F. Fimbres

Enclosure(s)

CC: Docket Control Center (Original and Thirteen Copies)

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STAFF'S FIRST SET OF DATA REQUESTS FOR  
VARTEC TELECOM, INC.  
DOCKET NO. T-03401A-04-0945

Please make sure each numbered item and each part of the item is answered completely. In order for Staff to continue with its review of this application, the following information must be submitted:

1. 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 carrier arrived at \$0.106 (\$0.60-\$0.494= \$0.106) in administrative costs associated with each payphone surcharge for its proposed current Public Telephone Surcharge. Staff needs detailed explanations for the entire increase above \$0.494 regardless of the number of telecommunications participants, such as underlying carriers, involved.