

ORIGINAL  
OPEN MEETING ITEM



0000015353

COMMISSIONERS  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES



22

ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission  
**DOCKETED**

JAN 20 2005

DATE: January 20, 2005  
DOCKET NO: T-04271A-04-0589  
TO ALL PARTIES:

DOCKETED BY 

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Order on:

A.R.C. NETWORKS, INC. dba INFOHIGHWAY  
(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

JANUARY 31, 2005

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

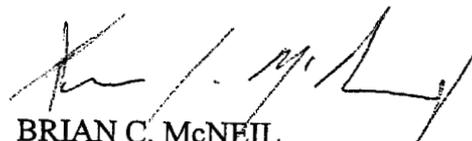
FEBRUARY 8 AND 9, 2005

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

RECEIVED

2005 JAN 20 P 4: 35

AZ CORP COMMISSION  
DOCUMENT CONTROL

  
BRIAN C. McNEIL  
EXECUTIVE SECRETARY

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

JEFF HATCH-MILLER, *Chairman*  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF  
A.R.C. NETWORKS, INC. dba INFOHIGHWAY  
FOR A CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE COMPETITIVE  
RESOLD INTEREXCHANGE  
TELECOMMUNICATIONS SERVICES, EXCEPT  
LOCAL EXCHANGE SERVICES.

DOCKET NO. T-04271A-04-0589

DECISION NO. \_\_\_\_\_

**ORDER**

Open Meeting  
February 8 and 9, 2005  
Phoenix, Arizona

**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 August 9, 2004, A.R.C. Networks, Inc. dba InfoHighway ("A.R.C." or "Applicant") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive resold interexchange telecommunications services, except local exchange services, within the State of Arizona.
2. Applicant is a switchless reseller that purchases telecommunications services from a variety of carriers for resale to its customers.
3. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") are public service corporations subject to the jurisdiction of the Commission.
4. A.R.C. has authority to transact business in the State of Arizona.
5. On October 22, 2004, Applicant filed an Affidavit of Publication indicating

1 compliance with the Commission's notice requirements.

2         6.         On December 20, 2004, the Commission's Utilities Division Staff ("Staff") filed a  
3 Staff Report which includes Staff's fair value rate base determination in this matter and recommends  
4 approval of the application subject to certain conditions.

5         7.         In the Staff Report, Staff stated that A.R.C. provided audited financial statements of its  
6 parent company, Infohighway Communications Corporation, for the 12 months ending December 31,  
7 2003, which list assets in excess of \$26 million, equity in excess of \$9 million and a net income in  
8 excess of \$4 million.

9         8.         In its Staff Report, Staff stated that based on information obtained from the Applicant,  
10 it has determined that A.R.C.'s fair value rate base ("FVRB") is zero and is not useful in a fair value  
11 analysis, and is not useful in setting rates. Staff further stated that in general, rates for competitive  
12 services are not set according to rate of return regulation. Staff has reviewed the rates to be charged  
13 by the Applicant and believes they are just and reasonable as they are comparable to several long  
14 distance carriers operating in Arizona and comparable to the rates the Applicant charges in other  
15 jurisdictions. Therefore, while Staff considered the FVRB information submitted by the Applicant,  
16 the FVRB information provided should not be given substantial weight in this analysis.

17         9.         Staff believes that A.R.C. has no market power and that the reasonableness of its rates  
18 will be evaluated in a market with numerous competitors. In light of the competitive market in which  
19 the Applicant will be providing its services, Staff believes that the rates in Applicant's proposed  
20 tariffs for its competitive services will be just and reasonable, and recommends that the Commission  
21 approve them.

22         10.         Staff recommended approval of A.R.C.'s application subject to the following:

23                 (a)         The Applicant should be ordered to comply with all Commission rules, orders,  
24 and other requirements relevant to the provision of intrastate telecommunications  
25 service;

26                 (b)         The Applicant should be ordered to maintain its accounts and records as  
27 required by the Commission;

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

Commission may designate;

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

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

(f) The Applicant should be ordered to cooperate with Commission investigations including, but not limited to customer complaints;

(g) The Applicant should be ordered to participate in and contribute to the Arizona Universal Service Fund, as required by the Commission;

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

(i) If at some future date, the Applicant wants to collect from its resold interexchange customers an advance, deposit and/or prepayment, Staff recommends that the Applicant be required to file an application with the Commission for Commission approval. Such application must reference the Decision in this docket and must explain the Applicant's plans for procuring a performance bond;

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

(k) The Applicant's maximum rates should be the maximum rates proposed by the Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive services should be the Applicant's total service long run incremental costs of providing those services as set forth in A.A.C. R14-2-1109;

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

(m) In the event the Applicant requests to discontinue and/or abandon its service area it must provide notice to both the Commission and its customers. Such notice(s) shall be in accordance with A.A.C. R14-2-1107.<sup>1</sup>

11. Staff further recommended that A.R.C.'s Certificate should be conditioned upon the Applicant filing conforming tariffs in accordance with this Decision within 365 days from the date of an Order in this matter, or 30 days prior to providing service, whichever comes first.

<sup>1</sup> Pursuant to A.A.C. R14-2-1107, the Applicant is required to comply and obtain Commission authorization of compliance with all of the requirements, including but not limited to the notice requirements, prior to discontinuance of service and/or abandonment of its service area.



1 Fact No. 11 above.

2 IT IS FURTHER ORDERED that Staff's recommendations set forth in Findings of Fact Nos.  
3 8, 9, 10, 11, and 12 above are hereby adopted.

4 IT IS FURTHER ORDERED that A.R.C. Networks, Inc. dba InfoHighway shall comply with  
5 the adopted Staff recommendations as set forth in Findings of Fact Nos. 10 and 11 above.

6 IT IS FURTHER ORDERED that if A.R.C. Networks, Inc. dba InfoHighway fails to meet the  
7 timeframes outlined in Findings of Fact. No. 11 above that the Certificate conditionally granted  
8 herein shall become null and void without further Order of the Commission.

9 IT IS FURTHER ORDERED that A.R.C. Networks, Inc. dba InfoHighway shall not require  
10 its Arizona customers to pay advances, prepayments or deposits for any of its products or services.

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

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

13  
14  
15 CHAIRMAN COMMISSIONER COMMISSIONER

16  
17  
18 COMMISSIONER COMMISSIONER

19 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
20 Secretary of the Arizona Corporation Commission, have  
21 hereunto set my hand and caused the official seal of the  
22 Commission to be affixed at the Capitol, in the City of Phoenix,  
23 this \_\_\_\_ day of \_\_\_\_\_, 2005.

24 \_\_\_\_\_  
BRIAN C. McNEIL  
EXECUTIVE SECRETARY

25 DISSENT \_\_\_\_\_

26 DISSENT \_\_\_\_\_

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SERVICE LIST FOR: A.R.C. NETWORKS, INC. DBA INFOHIGHWAY

DOCKET NO.: T-04271A-04-0589

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ARIZONA CORPORATION COMMISSION  
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Phoenix, Arizona 85007

ORIGINAL  
OPEN MEETING ITEM



0000015354

**COMMISSIONERS**  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES



Executive Secretary

22

**ARIZONA CORPORATION COMMISSION**

Arizona Corporation Commission  
**DOCKETED**

JAN 20 2005

DATE: January 20, 2005  
DOCKET NO: T-04277A-04-0690  
TO ALL PARTIES:

DOCKETED BY	<i>CM</i>
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Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Order on:

TELECOM MANAGEMENT, INC. dba PIONEER TELEPHONE  
(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

JANUARY 31, 2005

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

FEBRUARY 8 AND 9, 2005

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

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2005 JAN 20 P 4: 36

AZ CORP COMMISSION  
DOCUMENT CONTROL

*Brian C. McNeil*  
BRIAN C. McNEIL  
EXECUTIVE SECRETARY

1  
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**

3 **COMMISSIONERS**

4 JEFF HATCH-MILLER, Chairman  
5 MARC SPITZER  
6 WILLIAM A. MUNDELL  
7 MIKE GLEASON  
8 KRISTIN K. MAYES

9 IN THE MATTER OF THE APPLICATION OF  
10 TELECOM MANAGEMENT, INC. dba PIONEER  
11 TELEPHONE FOR A CERTIFICATE OF  
12 CONVENIENCE AND NECESSITY TO PROVIDE  
13 COMPETITIVE RESOLD INTEREXCHANGE  
14 TELECOMMUNICATIONS SERVICES, EXCEPT  
15 LOCAL EXCHANGE SERVICES.

DOCKET NO. T-04277A-04-0690

DECISION NO. \_\_\_\_\_

16 **ORDER**

17 Open Meeting  
18 February 8 and 9, 2005  
19 Phoenix, Arizona

20 **BY THE COMMISSION:**

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

23 **FINDINGS OF FACT**

24 1. On September 23, 2004, Telecom Management, Inc. dba Pioneer Telephone  
25 ("Applicant" or "Pioneer") filed with the Commission an application for a Certificate of Convenience  
26 and Necessity ("Certificate") to provide competitive resold interexchange telecommunications  
27 services, except local exchange services, within the State of Arizona.

28 2. Applicant is a switchless reseller that purchases telecommunications services from a  
variety of carriers for resale to its customers.

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

4. Pioneer has authority to transact business in the State of Arizona.

5. On November 10, 2004, Applicant filed an Affidavit of Publication indicating

1 compliance with the Commission's notice requirements.

2         6.       On December 20, 2004, the Commission's Utilities Division Staff ("Staff") filed a  
3 Staff Report which includes Staff's fair value rate base determination in this matter and recommends  
4 approval of the application subject to certain conditions.

5         7.       In the Staff Report, Staff stated that Pioneer provided unaudited financial statements  
6 for the 12 months ending December 31, 2003, which list assets in excess of \$869,000, equity in  
7 excess of \$795,000 and a net income of \$281,267.

8         8.       In its Staff Report, Staff stated that based on information obtained from the Applicant,  
9 it has determined that Pioneer's fair value rate base ("FVRB") is zero and is not useful in a fair value  
10 analysis, and is not useful in setting rates. Staff further stated that in general, rates for competitive  
11 services are not set according to rate of return regulation. Staff has reviewed the rates to be charged  
12 by the Applicant and believes they are just and reasonable as they are comparable to several long  
13 distance carriers operating in Arizona and comparable to the rates the Applicant charges in other  
14 jurisdictions. Therefore, while Staff considered the FVRB information submitted by the Applicant,  
15 the FVRB information provided should not be given substantial weight in this analysis.

16         9.       Staff believes that Pioneer has no market power and that the reasonableness of its rates  
17 will be evaluated in a market with numerous competitors. In light of the competitive market in which  
18 the Applicant will be providing its services, Staff believes that the rates in Applicant's proposed  
19 tariffs for its competitive services will be just and reasonable, and recommends that the Commission  
20 approve them.

21         10.      Staff recommended approval of Pioneer's application subject to the following:

- 22                 (a)      The Applicant should be ordered to comply with all Commission rules, orders,  
23                         and other requirements relevant to the provision of intrastate telecommunications  
24                         service;
- 25                 (b)      The Applicant should be ordered to maintain its accounts and records as  
                       required by the Commission;
- 26                 (c)      The Applicant should be ordered to file with the Commission all financial and  
27                         other reports that the Commission may require, and in a form and at such times as the  
28                         Commission may designate;

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

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

5 (f) The Applicant should be ordered to cooperate with Commission investigations  
including, but not limited to customer complaints;

6 (g) The Applicant should be ordered to participate in and contribute to the Arizona  
7 Universal Service Fund, as required by the Commission;

8 (h) The Applicant should be ordered to notify the Commission immediately upon  
9 changes to the Applicant's name, address or telephone number;

10 (i) If at some future date, the Applicant wants to collect from its resold  
interexchange customers an advance, deposit and/or prepayment, Staff recommends  
11 that the Applicant be required to file an application with the Commission for  
Commission approval. Such application must reference the Decision in this docket  
12 and must explain the Applicant's plans for procuring a performance bond;

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

15 (k) The Applicant's maximum rates should be the maximum rates proposed by the  
Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive  
16 services should be the Applicant's total service long run incremental costs of  
17 providing those services as set forth in A.A.C. R14-2-1109;

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

20 (m) In the event the Applicant requests to discontinue and/or abandon its service  
21 area it must provide notice to both the Commission and its customers. Such notice(s)  
shall be in accordance with A.A.C. R14-2-1107.<sup>1</sup>

22 11. Staff further recommended that Pioneer's Certificate should be conditioned upon the  
23 Applicant filing conforming tariffs in accordance with this Decision within 365 days from the date of  
24 an Order in this matter, or 30 days prior to providing service, whichever comes first.

25 12. Staff recommended that if the Applicant fails to meet the timeframes outlined in  
26

27 <sup>1</sup> Pursuant to A.A.C. R14-2-1107, the Applicant is required to comply and obtain Commission authorization of  
28 compliance with all of the requirements, including but not limited to the notice requirements, prior to discontinuance of  
service and/or abandonment of its service area.

1 Findings of Fact No. 11, that Pioneer's Certificate should become null and void without further Order  
2 of the Commission, and that no time extensions for compliance should be granted.

3 13. Pioneer will not collect advances, prepayments or deposits from its customers.

4 14. The rates proposed by this filing are for competitive services.

5 15. Staff's recommendations as set forth herein are reasonable.

6 16. Pioneer's fair value rate base is zero.

7 **CONCLUSIONS OF LAW**

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

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

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

13 4. Applicant's provision of resold interexchange telecommunications services is in the  
14 public interest.

15 5. Applicant is a fit and proper entity to receive a Certificate as conditioned herein for  
16 providing competitive resold interexchange telecommunications services in Arizona.

17 6. Staff's recommendations in Findings of Fact No. 8, 9, 10, 11, and 12 should be  
18 adopted.

19 7. Pioneer's fair value rate base is not useful in determining just and reasonable rates for  
20 the competitive services it proposes to provide to Arizona customers.

21 8. Pioneer's rates, as they appear in its proposed tariffs, are just and reasonable and  
22 should be approved.

23 **ORDER**

24 IT IS THEREFORE ORDERED that the application of Telecom Management, Inc. dba  
25 Pioneer Telephone for a Certificate of Convenience and Necessity for authority to provide  
26 competitive resold interexchange telecommunications services, except local exchange services, is  
27 hereby granted, conditioned upon its compliance with the conditions recommended by Staff as set  
28 forth in Findings of Fact No. 11 above.

1 IT IS FURTHER ORDERED that Staff's recommendations set forth in Findings of Fact Nos.  
2 8, 9, 10, 11, and 12 above are hereby adopted.

3 IT IS FURTHER ORDERED that Telecom Management, Inc. dba Pioneer Telephone shall  
4 comply with the adopted Staff recommendations as set forth in Findings of Fact Nos. 10 and 11  
5 above.

6 IT IS FURTHER ORDERED that if Telecom Management, Inc. dba Pioneer Telephone fails  
7 to meet the timeframes outlined in Findings of Fact. No. 11 above that the Certificate conditionally  
8 granted herein shall become null and void without further Order of the Commission.

9 IT IS FURTHER ORDERED that Telecom Management, Inc. dba Pioneer Telephone shall  
10 not require its Arizona customers to pay advances, prepayments or deposits for any of its products or  
11 services.

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

13 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

14  
15 CHAIRMAN COMMISSIONER COMMISSIONER

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18 COMMISSIONER COMMISSIONER

19 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
20 Secretary of the Arizona Corporation Commission, have  
21 hereunto set my hand and caused the official seal of the  
22 Commission to be affixed at the Capitol, in the City of Phoenix,  
23 this \_\_\_\_ day of \_\_\_\_\_, 2005.

24 BRIAN C. McNEIL  
EXECUTIVE SECRETARY

25 DISSENT \_\_\_\_\_

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27 DISSENT \_\_\_\_\_

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SERVICE LIST FOR:

TELECOM MANAGEMENT, INC. DBA PIONEER  
TELEPHONE

DOCKET NO.:

T-04277A-04-0690

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Ernest G. Johnson, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

ORIGINAL

OPEN MEETING ITEM



0000015355

**COMMISSIONERS**  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES



Executive Secretary

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**ARIZONA CORPORATION COMMISSION**

Arizona Corporation Commission

**DOCKETED**

JAN 20 2005

DATE: January 20, 2005  
DOCKET NO: T-04261A-04-0414  
TO ALL PARTIES:

DOCKETED BY	
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Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Order on:

UNITED AMERICAN TECHNOLOGY, INC.  
(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

JANUARY 31, 2005

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

FEBRUARY 8 AND 9, 2005

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Secretary's Office at (602) 542-3931.

RECEIVED

2005 JAN 20 P 4: 37

AZ CORP COMMISSION  
DOCUMENT CONTROL

BRIAN C. McNEIL  
EXECUTIVE SECRETARY

1  
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**

3 COMMISSIONERS

4 JEFF HATCH-MILLER, Chairman  
5 WILLIAM A. MUNDELL  
6 MARC SPITZER  
7 MIKE GLEASON  
8 KRISTIN K. MAYES

9 IN THE MATTER OF THE APPLICATION OF  
10 UNITED AMERICAN TECHNOLOGY, INC. FOR  
11 A CERTIFICATE OF CONVENIENCE AND  
12 NECESSITY TO PROVIDE COMPETITIVE  
13 RESOLD INTEREXCHANGE  
14 TELECOMMUNICATIONS SERVICES, EXCEPT  
15 LOCAL EXCHANGE SERVICES.

DOCKET NO. T-04261A-04-0414

DECISION NO. \_\_\_\_\_

16 **ORDER**

17 Open Meeting  
18 February 8 and 9, 2005  
19 Phoenix, Arizona

20 **BY THE COMMISSION:**

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

23 **FINDINGS OF FACT**

24 1. On June 3, 2004, United American Technology, Inc. ("Applicant" or "UAT") filed  
25 with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to  
26 provide competitive resold interexchange telecommunications services, except local exchange  
27 services, within the State of Arizona.

28 2. Applicant is a switchless reseller that purchases telecommunications services from a  
variety of carriers for resale to its customers.

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

4. UAT has authority to transact business in the State of Arizona.

5. On October 14, 2004, Applicant filed an Affidavit of Publication indicating

1 compliance with the Commission's notice requirements.

2         6.       On December 3, 2004, the Commission's Utilities Division Staff ("Staff") filed a Staff  
3 Report which includes Staff's fair value rate base determination in this matter and recommends  
4 approval of the application subject to certain conditions.

5         7.       In the Staff Report, Staff stated that UAT provided unaudited financial statements for  
6 the twelve months ending December 31, 2003, which list assets in excess of \$2.7 million, equity in  
7 excess of \$2.7 million and a net income of \$258,097.

8         8.       In its Staff Report, Staff stated that based on information obtained from the Applicant,  
9 it has determined that UAT's fair value rate base ("FVRB") is zero and is not useful in a fair value  
10 analysis, and is not useful in setting rates. Staff further stated that in general, rates for competitive  
11 services are not set according to rate of return regulation. Staff has reviewed the rates to be charged  
12 by the Applicant and believes they are just and reasonable as they are comparable to several long  
13 distance carriers operating in Arizona and comparable to the rates the Applicant charges in other  
14 jurisdictions. Therefore, while Staff considered the FVRB information submitted by the Applicant,  
15 the FVRB information provided should not be given substantial weight in this analysis.

16         9.       Staff believes that UAT has no market power and that the reasonableness of its rates  
17 will be evaluated in a market with numerous competitors. In light of the competitive market in which  
18 the Applicant will be providing its services, Staff believes that the rates in Applicant's proposed  
19 tariffs for its competitive services will be just and reasonable, and recommends that the Commission  
20 approve them.

21         10.      Staff recommended approval of UAT's application subject to the following:

- 22               (a)     The Applicant should be ordered to comply with all Commission rules, orders,  
23               and other requirements relevant to the provision of intrastate telecommunications  
24               service;
- 25               (b)     The Applicant should be ordered to maintain its accounts and records as  
26               required by the Commission;
- 27               (c)     The Applicant should be ordered to file with the Commission all financial and  
28               other reports that the Commission may require, and in a form and at such times as the  
              Commission may designate;

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

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

6 (f) The Applicant should be ordered to cooperate with Commission investigations  
7 including, but not limited to customer complaints;

8 (g) The Applicant should be ordered to participate in and contribute to the Arizona  
9 Universal Service Fund, as required by the Commission;

10 (h) The Applicant should be ordered to notify the Commission immediately upon  
11 changes to the Applicant's name, address or telephone number;

12 (i) The Applicant's interexchange service offerings should be classified as  
13 competitive pursuant to A.A.C. R14-2-1108;

14 (j) The Applicant's maximum rates should be the maximum rates proposed by the  
15 Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive  
16 services should be the Applicant's total service long run incremental costs of  
17 providing those services as set forth in A.A.C. R14-2-1109;

18 (k) In the event that the Applicant states only one rate in its proposed tariff for a  
19 competitive service, the rate stated should be the effective (actual) price to be charged  
20 for the service as well as the service's maximum rate; and

21 (l) In the event the Applicant requests to discontinue and/or abandon its service  
22 area it must provide notice to both the Commission and its customers. Such notice(s)  
23 shall be in accordance with A.A.C. R14-2-1107.<sup>1</sup>

24 11. Staff further recommended that CNB's Certificate should be conditioned upon the  
25 Applicant filing conforming tariffs in accordance with this Decision within 365 days from the date of  
26 an Order in this matter, or 30 days prior to providing service, whichever comes first.

27 12. Based on UAT's tariff, which indicates that it collects from its customers an advance,  
28 deposit, and/or prepayment, Staff also recommended the following:

(a) that UAT procure a performance bond equal to \$10,000. The minimum bond  
amount of \$10,000 should be increased if at any time it would be insufficient to cover  
advances, deposits, and/or prepayments collected from the Applicant's customers.  
The bond amount should be increased in increments of \$5,000. This increase should

<sup>1</sup> Pursuant to A.A.C. R14-2-1107, the Applicant is required to comply and obtain Commission authorization of  
compliance with all of the requirements, including but not limited to the notice requirements, prior to discontinuance of  
service and/or abandonment of its service area.

1 occur when the total amount of the advances, deposits, and prepayments is within  
2 \$1,000 of the bond amount;

3 (b) that UAT docket proof of the performance bond within 365 days of the  
4 effective date of an Order in this matter or 30 days prior to the provision of service,  
5 whichever comes first, which shall remain in effect until further order of the  
6 Commission.

7 (c) that, if at some time in the future, UAT does not collect from its customers any  
8 advances, prepayments or deposits, that UAT should be allowed to file with the  
9 Commission a request for cancellation of its established performance bond, which  
10 references the decision in this docket. Staff stated that after Staff review of such  
11 filing, Staff will forward its recommendation on the matter to the Commission for a  
12 Decision.

13 13. Staff recommended that if the Applicant fails to meet the timeframes outlined in  
14 Findings of Fact Nos. 11 and 12, that UAT's Certificate should become null and void without further  
15 Order of the Commission, and that no time extensions for compliance should be granted.

16 14. The rates proposed by this filing are for competitive services.

17 15. Staff's recommendations as set forth herein are reasonable.

18 16. UAT's fair value rate base is zero.

19 **CONCLUSIONS OF LAW**

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

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

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

25 4. Applicant's provision of resold interexchange telecommunications services is in the  
26 public interest.

27 5. Applicant is a fit and proper entity to receive a Certificate as conditioned herein for  
28 providing competitive resold interexchange telecommunications services in Arizona.

Staff's recommendations in Findings of Fact No. 8, 9, 10, 11, 12, and 13 should be  
adopted.

7. UAT's fair value rate base is not useful in determining just and reasonable rates for the

1 competitive services it proposes to provide to Arizona customers.

2 8. UAT's rates, as they appear in its proposed tariffs, are just and reasonable and should  
3 be approved.

4 **ORDER**

5 IT IS THEREFORE ORDERED that the application of United American Technology, Inc. for  
6 a Certificate of Convenience and Necessity for authority to provide competitive resold interexchange  
7 telecommunications services, except local exchange services, is hereby granted, conditioned upon its  
8 compliance with the conditions recommended by Staff as set forth in Findings of Fact Nos. 10, 11  
9 and 12 above.

10 IT IS FURTHER ORDERED that Staff's recommendations set forth in Findings of Fact Nos.  
11 8, 9, 10, 11, 12 and 13 above are hereby adopted.

12 IT IS FURTHER ORDERED that United American Technology, Inc. shall comply with the  
13 adopted Staff recommendations as set forth in Findings of Fact Nos. 10, 11 and 12 above.

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1 IT IS FURTHER ORDERED that if United American Technology, Inc. fails to meet the  
2 timeframes outlined in Findings of Fact Nos. 11 and 12 above that the Certificate conditionally  
3 granted herein shall become null and void without further Order of the Commission.

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

10 COMMISSIONER COMMISSIONER  
11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this \_\_\_\_ day of \_\_\_\_\_, 2005.

17 BRIAN C. McNEIL  
EXECUTIVE SECRETARY

18 DISSENT \_\_\_\_\_  
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20 DISSENT \_\_\_\_\_  
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1 SERVICE LIST FOR: UNITED AMERICAN TECHNOLOGY, INC.

2 DOCKET NO.: T-04261A-04-0414

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