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March 3, 2005

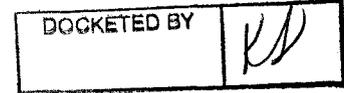
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AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED

MAR - 7 2005

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007



**Re: Z-Tel Communications, Inc.
Data Request Response for Revision to Arizona Tariff No. 2 (Local Exchange)
Docket No. T-03589A-04-0801**

Docket Control:

Enclosed for filing are the original and ten (10) copies of the response to correspondence from Mr. Armando F. Fimbres of Staff regarding additional information requested for the proposed increase in the Public Telephone Surcharge filed on behalf of Z-Tel Communications, Inc. on November 8, 2004, Docket No. T-03589A-04-0801. The first data request response was filed on December 9, 2005. The attached information is in response to the second data request in this docket.

Please acknowledge receipt of this filing by date stamping the extra copy of this cover letter and returning it to me in the self-addressed, stamped envelope provided.

Any questions you may have pertaining to this filing may be directed to me at (407) 740-8575 or via email at mbyrnes@tminc.com. Thank you for your assistance.

Sincerely,

Monique Byrnes,
Consultant to Z-Tel Communications, Inc.

Encl.

cc: B. Sullins - Z-Tel
file: Z-Tel - AZ Local
tms: 5516AZL0411b

Application of Z-Tel Communications, Inc.
to Increase the Maximum Rate of the Public Telephone Surcharge
Docket No. T-03589A-04-0801

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 the Applicant arrived at \$0.15 ($\$0.65 - \$0.494 = \0.15) in administrative costs associated with each payphone surcharge.

The company proposes to charge \$0.60 per call for payphone compensation, not \$0.65.

The FCC Order does not address the amount carriers can charge end users. The order only addresses the amount the carrier must submit to pay telephone owners, unless a contract with the payphone owner on this issue is entered into.

The FCC Order does state, as you have in your question above, that carriers can be reimbursed for this charge including any administrative costs, from its end users.

Z-Tel Communications, Inc. primarily utilizes the long distance services of WilTel. WilTel has notified the company in writing (attached) that it will bill Z-Tel \$0.52 per call effective 9/04.

The difference of \$0.52 and \$0.60 is \$0.08 which the company allocates to the cost of bill identification, billing and collection. As stated in the company's response to the First Data Request on this filing, the company will not derive any additional revenue from this rate increase. The increase is being made to offset costs.

In addition to cost considerations, the company is aware of competitors who have set nationwide rates and tariffed such rates where a specific state has not capped this rate element, and are charging rates of \$0.60 (AT&T) and \$0.55 (MCI). The company is aware that MCI's tariff for \$0.55 in Arizona was approved effective January 1st, but has not researched each specific state for AT&T's rate change.

Lastly, please note the this filing only affects local calling from pay telephones, which is not very common. Most pay telephone calls involve toll calling. The company already has an approved payphone surcharge rate of \$0.60 per call in its toll tariff (Tariff No. 1) where the charge was originally filed and approved with a maximum rate of \$0.95. This filing in the local exchange tariff is meant to make both tariffs equivalent. The toll tariff rate increase to \$0.60 was approved with an effective date of January 2005 in T-03589A-04-0800 as the rate was below the approved maximum.