

OPEN MEETING ITEM
ORIGINAL



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



ARIZONA CORPORATION COMMISSION
Arizona Corporation Commission
DOCKETED

22

DATE: April 18, 2005
DOCKET NO: T-04288A-04-0796

APR 18 2005
DOCKETED BY *[Signature]*

TO ALL PARTIES:

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

TELRITE CORPORATION
(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:

APRIL 27, 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 Open Meeting to be held on:

MAY 3 AND 4, 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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[Signature]
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 TELRITE COPORATION FOR A CERTIFICATE
11 OF CONVENIENCE AND NECESSITY TO
12 PROVIDE RESOLD INTEREXCHANGE
13 TELECOMMUNICATIONS SERVICES, EXCEPT
14 LOCAL EXCHANGE SERVICES.

DOCKET NO. T-04288A-04-0796

DECISION NO. _____

ORDER

15 Open Meeting
16 May 3 and 4, 2005
17 Phoenix, Arizona

18 **BY THE COMMISSION:**

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

21 FINDINGS OF FACT

- 22 1. On November 4, 2004, Telrite Corporation ("Applicant" or "Telrite") filed with the
23 Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide
24 competitive resold interexchange telecommunications services within the State of Arizona.
- 25 2. Applicant is a switchless reseller that purchases telecommunications services from a
26 variety of carriers for resale to its customers.
- 27 3. In Decision No. 58926 (December 22, 1994), the Commission found that resold
28 telecommunications providers ("resellers") are public service corporations subject to the jurisdiction
of the Commission.
4. Telrite has authority to transact business in the State of Arizona.
5. On January 24, 2005, Telrite filed in this docket Affidavits of Publication verifying
that it had published notice of its application in all counties where service will be provided.
6. On April 5, 2005, the Commission's Utilities Division Staff ("Staff") filed a Staff

1 Report in this matter recommending approval of the application subject to certain conditions.

2 7. In the Staff Report, Staff stated that Telrite provided unaudited financial statements for
3 the six months ending June 30, 2004, which list assets of \$2,256,422, equity of \$1,921,636, and a net
4 income of \$405,525.

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

13 9. Staff believes that Telrite has no market power and that the reasonableness of its rates
14 will be evaluated in a market with numerous competitors. Staff believes that the rates in Applicant's
15 proposed tariffs for its competitive services will be just and reasonable and recommends that the
16 Commission approve them.

17 10. Based on its evaluation of the Applicant's technical, managerial, and financial
18 capabilities to provide resold interexchange services, Staff recommended approval of Telrite's
19 application and also recommended that:

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

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

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

28 (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;

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

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

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

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

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

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

14 (k) 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
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;

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

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

22 12. Staff recommended that if the Applicant fails to meet the timeframe outlined in
23 Findings of Fact No. 11 above, that Telrite's Certificate should become null and void without further
24 Order of the Commission and that no time extensions for compliance should be granted.

25 13. Staff recommended that the Applicant should be required to provide notice to the
26 Commission and its customers in the event it requests to discontinue service and/or abandon its
27 service area, and Staff indicates that such notice(s) shall be in accordance with Arizona
28 Administrative Code ("A.A.C.") R14-2-1107. Pursuant to A.A.C. R14-2-1107, Telrite is required to

1 comply, and obtain Commission authorization of compliance, with all of the requirements, including
2 but not limited to the notice requirements, prior to the discontinuance of service and/or abandonment
3 of its service area.

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

5 15. Staff's recommendations are reasonable and should be adopted.

6 16. Telrite'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 are reasonable and should be adopted.

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

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

22 ORDER

23 IT IS THEREFORE ORDERED that the application of Telrite Corporation for a Certificate of
24 Convenience and Necessity for authority to provide competitive resold interexchange
25 telecommunications services is hereby granted, conditioned upon Telrite Corporation's timely
26 compliance with the following Ordering Paragraphs.

27 IT IS FURTHER ORDERED that Telrite Corporation shall file conforming tariffs in
28 accordance with this Decision within 365 days of this Decision or 30 days prior to providing service,

1 whichever comes first.

2 IT IS FURTHER ORDERED that if Telrite Corporation fails to meet the timeframe outlined
3 in the Ordering Paragraph above, that the Certificate of Convenience and Necessity conditionally
4 granted herein shall become null and void without further Order of the Commission.

5 IT IS FURTHER ORDERED that Telrite Corporation shall comply with all of the Staff
6 recommendations as modified and set forth in the above-stated Findings of Fact and Conclusions of
7 Law.

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

9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

10
11
12 CHAIRMAN

COMMISSIONER

COMMISSIONER

13
14
15 COMMISSIONER

COMMISSIONER

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

22
23 _____
24 BRIAN C. McNEIL
25 EXECUTIVE SECRETARY

26
27 DISSENT _____

28 DISSENT _____

AP:mj

1 SERVICE LIST FOR: TELRITE CORPORAITON

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