

ORIGINAL

OPEN MEETING



0000023786

MEMORANDUM RECEIVED

410

TO: THE COMMISSION

2005 JUL 25 A 9:22

FROM: Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: July 25, 2005

RE: IN THE MATTER OF THE APPLICATION OF VARTEC TELECOM, INC. TARIFF FILING TO INCREASE MONTHLY RATES FOR ADDITIONAL LINE SERVICE WITH ONE CHOICE \$.05 PLAN, ONE CHOICE ADDITIONAL LINE SERVICE AND ONE CHOICE BASIC SERVICE PACKAGE (DOCKET NO. T-03401A-05-0132)

On March 1, 2005, VarTec filed tariff revisions to increase the maximum and current monthly rates for its Additional Line Service with OneChoice \$.05 Plan, OneChoice Additional Line Service and OneChoice Basic Service Package offerings. VarTec is seeking to increase its current and maximum monthly rates from \$24.95 to \$29.95.

The proposed increase is part of an initiative throughout the Company's nationwide service area to balance customer value with VarTec's increasing cost of providing service. The proposed tariff revision upgrades the OneChoice Basic plan by including long distance (200 minutes) at a rate that is \$5.00 a month more. The Company feels that including long distance minutes give the Customer added value while allowing the Company to more efficiently recover the cost of providing service.

On March 15, 2005, Staff issued a data request to VarTec for information responsive to Title 14, Article 11, Section 1110 (Competitive Telecommunications Services) of the Arizona Administrative Code. On March 28, 2005, VarTec filed its response to Staff's March 15, 2005 data request. VarTec provided evidence that it has provided notice to its customers in accordance with Commission rules. Staff has reviewed the customer notification, a copy of which was included in the filing, and has concluded that it is consistent with Commission rules.

Since this filing increases the maximum rates for a component of a service that has been classified as competitive under the Commission's Competitive Telecommunications Services Rules, Arizona Administrative Code Rule ("A.A.C.") R14-2-1110 applies to VarTec's proposal. VarTec provided the information required by A.A.C. R14-2-1110 to allow Staff to determine the potential effects of approval of the filing.

The proposed rate increases contained in this filing are for services that have been classified as competitive by the Commission and that are now subject to the Commission's Competitive Telecommunications Services Rules. Under those rules, rates for competitive services are not set according to rate of return regulation standards. Staff requested information from VarTec to allow it to

THE COMMISSION

July 25, 2005

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determine the potential effects of approval of the filing. VarTec provided information that indicates the expected effect of this filing is an increase in VarTec's Arizona revenues of less than 1 percent.

Staff obtained information regarding VarTec's fair value rate base. Because of the nature of the competitive market and other factors, a fair value analysis is not necessarily representative of the company's operations. Therefore, while Staff considered the fair value rate base information of VarTec, it did not accord that information substantial weight in its analysis of this matter.

Staff recommends approval of this filing.

for 
Ernest G. Johnson
Director
Utilities Division

EGJ:AFF:ihm\JMA

ORIGINATOR: Armando Fimbres

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION)
 OF VARTEC TELECOM, INC. TARIFF)
 FILING TO INCREASE MONTHLY RATES)
 FOR ADDITIONAL LINE SERVICE WITH)
 ONE CHOICE \$.05 PLAN, ONE CHOICE)
 ADDITIONAL LINE SERVICE AND ONE)
 CHOICE BASIC SERVICE PACKAGE)

DOCKET NO. T-03401A-05-0132
 DECISION NO. _____
ORDER

Open Meeting
 August 9 and August 10, 2005
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. VarTec Telecom, Inc. ("VarTec") is certificated to provide intrastate telecommunications service as a public service corporation in the State of Arizona.
2. On March 1, 2005, VarTec filed tariff revisions to increase the maximum and current monthly rates for its Additional Line Service with OneChoice \$.05 Plan, OneChoice Additional Line Service and OneChoice Basic Service Package offerings:

Local Telecommunications Services Tariff

- A.C.C. Tariff No. 2, Title Page, First Revised
- A.C.C. Tariff No. 2, Page No. 1, Seventh Revised
- A.C.C. Tariff No. 2, Page No. 57.9, First Revised
- A.C.C. Tariff No. 2, Page No. 77, Second Revised
- A.C.C. Tariff No. 2, Page No. 77.2, Second Revised

3. VarTec is seeking to increase its current and maximum monthly rates from \$24.95 to \$29.95.

1 4. The proposed tariff revision upgrades the OneChoice Basic plan by including 200
2 minutes of long distance at a rate that is \$5.00 a month more than the current rate. The Company
3 indicated that including long distance minutes gives customers added value while allowing the
4 Company to more efficiently recover the cost of providing service.

5 5. On March 15, 2005, Staff issued a data request to VarTec for information
6 responsive to Title 14, Article 11, Section 1110 (Competitive Telecommunications Services) of the
7 Arizona Administrative Code.

8 6. On March 28, 2005, VarTec filed its response to Staff's March 15, 2005 data
9 request.

10 7. VarTec provided evidence that it has provided notice to its customers in accordance
11 with Commission rules. There are less than 100 customers who will be impacted by the rate
12 increase for the OneChoice Additional Line service and there are less than 1,000 customers who
13 will be impacted by the rate increase for the OneChoice Basic service. Staff has reviewed the
14 customer notification, a copy of which was included in the filing, and has concluded that it is
15 consistent with Commission rules.

16 8. Since this filing increases the maximum rates for a component of a service that has
17 been classified as competitive under the Commission's Competitive Telecommunications Services
18 Rules, Arizona Administrative Code Rule ("A.A.C.") R14-2-1110 applies to VarTec's proposal.
19 VarTec provided the information required by A.A.C. R14-2-1110 to allow Staff to determine the
20 potential effects of approval of the filing.

21 9. The proposed rate increases contained in this filing are for services that have been
22 classified as competitive by the Commission and that are now subject to the Commission's
23 Competitive Telecommunications Services Rules. Under those rules, rates for competitive
24 services are not set according to rate of return regulation standards. Staff requested information
25 from VarTec to allow it to determine the potential effects of approval of the filing. VarTec
26 provided information that indicates the expected effect of this filing is an increase in VarTec's
27 Arizona revenues of less than 1 percent.

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Decision No. _____

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ORDER

IT IS THEREFORE ORDERED that the tariff filing be and hereby is approved.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

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

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:AFF:lhm\JMA

1 SERVICE LIST FOR: VarTec Telecom, Inc.
2 Docket No. T-03401A-04-0945

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4 VarTec Telecom, Inc.
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6 Carrollton, Texas 75006

7 Mr. Ernest G. Johnson
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007

12 Mr. Christopher C. Kempley
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
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