

ORIGINAL

OPEN MEETING



0000023789

~~MEMORANDUM~~
~~RECEIVED~~

TO: THE COMMISSION 2005 JUL 25 1 A 9: 25
FROM: Utilities Division AZ CORP COMMISSION
DATE: July 25, 2005 DOCUMENT CONTROL

RE: IN THE MATTER OF THE APPLICATION OF VARTEC TELECOM, INC. D/B/A VARTEC TELECOM, CLEAR CHOICE COMMUNICATIONS, AND TELEPHONE EXPRESS TARIFF FILING TO INCREASE THE PAYPHONE USE CHARGE. (DOCKET NO. T-03401A-04-0945)

On December 30, 2004, VarTec Telecom, Inc. d/b/a VarTec Telecom, Clear Choice Communications, and Telephone Express ("VarTec") filed tariff revisions to increase the maximum and current rates for its Payphone Use Charge.

The proposed increase results from the Federal Communications Commission's ("FCC's") decision to increase the payphone compensation rate to \$0.494 per call from \$0.24 per call¹, the rate at which VarTec has been compensating pay telephone owners since September 27, 2004. Through its orders the FCC has sought to establish a per call compensation plan to ensure that all payphone service providers ("PSPs") are fairly compensated for each and every completed call. More than five years ago, the Commission set a default compensation rate of \$0.24 per call for "dial-around" calls made from payphones. The increase to \$0.494 results from the FCC's reexamination of its original order. The Company's rate increases are intended to recover the cost of the new payphone compensation rate and VarTec's processing and administrative costs.

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 rate increases contained in this filing are for services that have been classified as competitive by the Commission and are now subject to the Commission's Competitive

¹ In the Matter of Request to Update Default Compensation Rate for Dial-Around Calls from Payphones, WC Docket No. 03-225, Report and Order, (Released: August 12, 2004).

THE COMMISSION

July 25, 2005

Page 2

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 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*

Ernest G. Johnson
Director
Utilities Division

EGJ:AFF:lhmc\CCK

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. D/B/A
VARTEC TELECOM, CLEAR CHOICE
COMMUNICATIONS, AND TELEPHONE
EXPRESS TARIFF FILING TO INCREASE
THE PAYPHONE USE CHARGE

DOCKET NO. T-03401A-04-0945
DECISION NO. _____
ORDER

Open Meeting
August 9 and 10, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. VarTec Telecom, Inc. d/b/a VarTec Telecom, Clear Choice Communications, and Telephone Express ("VarTec") is certificated to provide intrastate telecommunications service as a public service corporation in the State of Arizona.

2. On December 30, 2004, VarTec filed tariff revisions to increase the maximum and current rates for its Payphone Use Charge from \$0.25 to \$0.60:

- INTEREXCHANGE SERVICES TARIFF
- A.C.C. No. 1, Page No. 1, Thirty-ninth Revised
- A.C.C. No. 1, Page No. 2, Thirty-sixth Revised
- A.C.C. No. 1, Page No. 3, Twelfth Revised
- A.C.C. No. 1, Page No. 72, First Revised
- A.C.C. No. 1, Page No. 129, Second Revised
- A.C.C. No. 1, Page No. 175, Second Revised

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1 3. The proposed increase results from the Federal Communications Commission's
2 ("FCC's") decision to increase the payphone compensation rate to \$0.494 per call from \$0.24 per
3 call¹, the rate at which VarTec has been compensating pay telephone owners since September 27,
4 2004. Through its orders the FCC has sought to establish a per call compensation plan to ensure
5 that all payphone service providers ("PSPs") are fairly compensated for each and every completed
6 call. More than five years ago, the Commission set a default compensation rate of \$0.24 per call
7 for "dial-around" calls made from payphones. The increase to \$0.494 results from the FCC's
8 reexamination of its original order.

9 4. The Company's rate increase is intended to recover the cost of the new payphone
10 compensation rate and VarTec's processing and administrative costs.

11 5. The Company respectfully requests an effective date of February 1, 2005 for this
12 filing.

13 6. VarTec provided evidence that it has provided notice to its customers in accordance
14 with Commission rules. Staff has reviewed the customer notification, a copy of which was
15 included in the filing and has concluded that it is consistent with Commission rules.

16 7. 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 8. The rate increases contained in this filing are for services that have been classified
22 as competitive by the Commission and that are now subject to the Commission's Competitive
23 Telecommunications Services Rules. Under those rules, rates for competitive services are not set
24 according to rate of return regulation standards. Staff requested information from VarTec to allow
25 it to determine the potential effects of approval of the filing. VarTec provided information that
26

27 _____
28 ¹ In the Matter of Request to Update Default Compensation Rate for Dial-Around Calls from Payphones, WC Docket No. 03-225, Report and Order, (Released: August 12, 2004).

1 indicates the expected effect of this filing is an increase in VarTec's Arizona revenues of less than
2 1 percent.

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

8 10. Staff recommends approval of this filing.

9 CONCLUSIONS OF LAW

10 1. VarTec Telecom, Inc. is an Arizona public service corporation within the meaning
11 of Article XV, Section 2, of the Arizona Constitution.

12 2. The Commission has jurisdiction over VarTec and over the subject matter of the
13 Application.

14 3. The Commission, having reviewed the tariff pages (copies of which are contained in
15 the Commission's tariff files) and Staff's Memorandum dated July 25, 2005 concludes the tariff
16 filing is reasonable, fair and equitable, and is therefore in the public interest.

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ORDER

IT IS THEREFORE ORDERED that the tariff filing, as amended, 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:lh\m\CCK

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

3 Ms. Erin L. Curry
4 VarTec Telecom, Inc.
5 2440 Marsh Lane
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
15 1200 West Washington
16 Phoenix, Arizona 85007

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