



OPEN MEETING  
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MEMORANDUM  
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TO: THE COMMISSION 2005 SEP 15 A 10: 37

FROM: Utilities Division AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: September 15, 2005

RE: IN THE MATTER OF THE APPLICATION OF TRINSIC COMMUNICATIONS, INC.<sup>1</sup>  
TARIFF FILING TO INCREASE THE MAXIMUM RATE AND RESIDENTIAL  
CURRENT RATE OF THE PUBLIC TELEPHONE SURCHARGE (DOCKET NO.  
T-03589A-04-0800)

On November 8, 2004, Z-Tel Communications, Inc., now known as Trinsic Communications, Inc. ("Trinsic"), filed tariff revisions to increase the maximum rate of its Public Telephone Surcharge for interexchange telephone calls. Trinsic is seeking to increase its maximum Public Telephone Surcharge for all customers from \$0.45 to \$0.95. Trinsic has indicated that upon the approval of this maximum rate increase, its Public Telephone Surcharge for its residential interexchange customers will be increased from \$0.45 to \$0.60.

The proposed increases result from the Federal Communications Commission's ("FCC's") decision to increase the payphone compensation rate from \$0.24 per call<sup>2</sup> to \$0.494 per call. This charge is assessed by payphone providers on telecommunication companies, such as Trinsic, who provide their customers with dial-around numbers that can be used at payphones. Through its orders, the FCC has sought to establish a per call compensation plan to ensure that all payphone service providers are fairly compensated for each and every completed call. More than five years ago, the FCC 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.

Trinsic's proposed rate increases are intended to allow it to pass through the increased cost associated with the new payphone compensation rate and to recover its own processing and administrative costs. Trinsic indicated that the majority of its 385 residential local exchange and 277 business local exchange customers in Arizona also receive interexchange service from Trinsic. Trinsic also indicated that it currently provides stand alone interexchange service to seven residential customers. Finally, the Public Telephone Surcharge only applies to telephone calls that originate from a payphone Trinsic indicated that on average, the Public Telephone Surcharge is assessed 51

<sup>1</sup> On December 30, 2004, Z-Tel Communications, Inc. notified the Commission that it would be changing its name to Trinsic Communications, Inc. effective January 1, 2005 (Docket No. T-03589A-04-0873).

<sup>2</sup> 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).

times per month in Arizona. Trinsic stated that all of its interexchange customers were notified of these proposed tariff revisions in the form of a bill insert. Staff has reviewed Trinsic's customer notification and concluded that it is consistent with Commission rules and policies.

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 ("A.A.C.") R14-2-1110 applies to Trinsic's proposal. Trinsic provided the information required by A.A.C. R14-2-1110 to allow Staff to determine the potential effects of approval of the filing. Trinsic indicated that on average, its Public Telephone Surcharge is assessed 51 times per month in Arizona. Based on this number of calls, the maximum annual revenue that Trinsic could derive as a result of this maximum rate being increased to \$0.95 is \$581.40.

The rates contained in this filing are for services that have been classified as competitive by the Commission and that are subject to the Commission's Competitive Telecommunications Service Rules. Under these rules, rates for competitive services are not set according to rate of return regulation. Trinsic indicated that its fair value rate base is zero. Accordingly, the Applicant's fair value rate base is too small to be useful in a fair value analysis. Therefore, while Staff considered the fair value rate base information submitted by Trinsic, it did not accord that information substantial weight in its analysis of this matter.

Staff recommends that the maximum Public Telephone Surcharge rate be approved at \$0.90 rather than the \$0.95 rate requested. Additionally, Staff recommends that that Trinsic file tariff pages with the Commission's Docket Control Center that reflect its January 1, 2005 name change from Z-Tel Communications, Inc. to Trinsic Communications, Inc.



for Ernest G. Johnson  
Director  
Utilities Division

EGJ:AJL:lm\DT

ORIGINATOR: Adam Lebrecht

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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 TRINSIC COMMUNICATIONS, INC<sup>1</sup>.  
 TARIFF FILING TO INCREASE THE  
 MAXIMUM RATE AND RESIDENTIAL  
 CURRENT RATE OF THE PUBLIC  
 TELEPHONE SURCHARGE

DOCKET NO. T-03589A-04-0800  
 DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
 September 27 and 28, 2005  
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trinsic Communications, Inc. ("Trinsic"), formerly known as Z-Tel Communications, Inc., is certificated to provide intrastate telecommunications service as a public service corporation in the State of Arizona.

2. On November 8, 2004, Z-Tel filed tariff revisions to increase the maximum rate and current residential rate for its Public Telephone Surcharge:

Arizona Tariff No. 1

- Arizona Tariff No. 1, Page 2, 27<sup>th</sup> Revised
- Arizona Tariff No. 1, Page 17.2, 4<sup>th</sup> Revised
- Arizona Tariff No. 1, Page 19.1, 9<sup>th</sup> Revised

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<sup>1</sup> On December 30, 2004, Z-Tel Communications, Inc. notified the Commission that it would be changing its name to Trinsic Communications, Inc. effective January 1, 2005 (Docket No. T-03589A-04-0873).

1           3.       Trinsic is seeking to increase its maximum Public Telephone Surcharge for all  
2 customers from \$0.45 to \$0.95. Trinsic has indicated that upon approval of this maximum rate  
3 increase, its Public Telephone Surcharge for its residential interexchange customers will be  
4 increased from \$0.45 to \$0.60.

5           4.       The proposed increases result from the Federal Communications Commission's  
6 ("FCC's") decision to increase the payphone compensation rate from \$0.24 per call to \$0.494 per  
7 call<sup>2</sup>. This charge is assessed by payphone providers on telecommunication companies, such as  
8 Trinsic, who provide their customers with dial-around numbers that can be used at payphones.  
9 Through its orders, the FCC has sought to establish a per call compensation plan to ensure that all  
10 payphone service providers are fairly compensated for each and every completed call. More than  
11 five years ago, the FCC set a default compensation rate of \$0.24 per call for "dial-around" calls  
12 made from payphones. The increase to \$0.494 results from the FCC's reexamination of its  
13 original order.

14           5.       Trinsic's proposed rate increases are intended to allow it to pass through the  
15 increased cost associated with the new payphone compensation rate and to recover its own  
16 processing and administrative costs.

17           6.       Trinsic indicated that the majority of its 385 residential local exchange and 277  
18 business local exchange customers in Arizona also receive interexchange service from Trinsic.  
19 Trinsic also indicated that it currently provides stand alone interexchange service to 7 residential  
20 customers. Finally, the Public Telephone Surcharge only applies to telephone calls that originate  
21 from a payphone Trinsic indicated that on average, the Public Telephone Surcharge is assessed 51  
22 times per month in Arizona. Trinsic stated that all of its interexchange customers were notified of  
23 these proposed tariff revisions in the form of a bill insert. Staff has reviewed Trinsic's customer  
24 notification and concluded that it is consistent with Commission rules and policies.

25           7.       Since this filing increases the maximum rates for a component of a service that has  
26 been classified as competitive under the Commission's Competitive Telecommunications Services

27 \_\_\_\_\_  
28 <sup>2</sup> 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 Rules, Arizona Administrative Code ("A.A.C.") R14-2-1110 applies to Trinsic's proposal. Trinsic  
2 provided the information required by A.A.C. R14-2-1110 to allow Staff to determine the potential  
3 effects of approval of the filing.

4 8. The rate increases contained in this filing are for services that have been classified  
5 as competitive by the Commission and that are now subject to the Commission's Competitive  
6 Telecommunications Services Rules. Under those rules, rates for competitive services are not set  
7 according to rate of return regulation standards. Trinsic indicated that on average, its Public  
8 Telephone Surcharge is assessed 51 times per month in Arizona. Based on this number of calls,  
9 the maximum annual revenue that Trinsic could derive as a result of this maximum rate being  
10 increased to \$0.95 is \$581.40.

11 9. Trinsic indicated that its Arizona fair value rate base is zero. Because of the nature  
12 of the competitive market and other factors, a fair value analysis is not necessarily representative  
13 of the company's operations. Therefore, while Staff considered the fair value rate base information  
14 of Trinsic, it did not accord that information substantial weight in its analysis of this matter.

15 10. Staff recommends that the maximum rate be approved at \$0.90 rather than the  
16 \$0.95 rate requested.

#### 17 CONCLUSIONS OF LAW

18 1. Trinsic Communications, Inc. is an Arizona public service corporation within the  
19 meaning of Article XV, Section 2, of the Arizona Constitution.

20 2. The Commission has jurisdiction over Trinsic and over the subject matter of the  
21 Application.

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

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ORDER

IT IS THEREFORE ORDERED that this tariff filing, as amended by this order, be and hereby is approved.

IT IS FURTHER ORDERED that Trinsic shall file tariff pages with the Commission's Docket Control Center that reflect its January 1, 2005 name change from Z-Tel Communications, Inc. to Trinsic Communications, Inc.

IT IS FURTHER ORDERED that this Decision shall become effective with the filing of revised tariff pages as amended by this order.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director 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 Director

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:AJL:lhmdt

Decision No. \_\_\_\_\_

1 SERVICE LIST FOR: Trinsic Communications, Inc.

2 Docket No. T-03589A-04-0800

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4 Ms. Monique Byrnes  
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6 Trinsic Communications, Inc  
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9 Mr. Ernest G. Johnson  
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