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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

DEC 15 2000

CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

DOCKETED BY RT

IN THE MATTER OF THE NOTICE OF
PROPOSED AMENDMENTS TO THE
ARIZONA UNIVERSAL SERVICE FUND

DOCKET NO. RT-00000H-97-0137

DECISION NO. 63267

ORDER

Open Meeting
December 12 and 13, 2000
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On September 22, 1989, the Commission established the Arizona Universal Service Fund ("AUSF") by Decision No. 56639.

2. On February 11, 1997, the Commission entered into an agreement for professional services with National Exchange Carriers Association ("NECA") to administer the AUSF through December 31, 1999.

3. On January 14, 2000, the Commission contracted with Withum, Smith & Brown, a professional corporation of certified public accountants and consultants, to perform a GAAP financial statement audit of the ASUF as of December 31, 1999.

4. On January 18, 2000, the Commission extended the agreement for professional services with NECA to administer the AUSF for the period January 1, 2000 through December 31, 2002.

5. This amendment recommends approval by the Commission of the proposed year 2001 monthly surcharges to be assessed against all contributors to the AUSF. It also recommends approval of the implementation of a collection and write-off procedure.

6. The AUSF was established to help offset high basic local telephone rates in rural areas. One half of the AUSF funding requirement is collected through a surcharge paid by providers of basic local exchange service, wireless, paging, and other Commercial Mobile Radio Service providers that

1 interconnect with the public switched network. These entities are known as Category One. One half
2 of the funding requirements are collected from providers of intrastate toll service. These entities
3 known as Category Two.

4 7. The receipt by a utility of Universal Service funding must be authorized by the
5 Commission in a rate case. To date, only Citizens Telecommunications Company of the White
6 Mountains, Inc. ("Citizens") (formerly Contel of the West, Inc.) is receiving Universal Service Fund
7 money in the amount of \$769,620 annually as per Decision No. 56657, dated October 10, 1989.

8 8. NECA has requested data and received from all Arizona telecommunications providers
9 for use in calculating the surcharges that would be applied to all telecommunications providers for
10 2001.

11 9. From this data NECA has calculated that the year 2001 monthly surcharge for Category
12 One providers is \$0.010876 per access line and \$0.108758 per interconnecting trunk line; for Category
13 Two providers the year 2001 monthly surcharge is 0.1184 percent of intrastate toll revenue.

14 10. The collection of these amounts over the year 2001 will raise sufficient funds
15 cover the amount of AUSF funding that Citizens has been authorized to receive.

16 11. Staff has reviewed the proposed year 2001 monthly surcharges, finds them to be just
17 and reasonable and in the public interest, and therefore recommends approval with year 2001 monthly
18 fund contributions become effective for services provided after January 1, 2001.

19 12. NECA issues monthly AUSF Statement of Fund Performance Reports to the
20 Commission. These reports indicate which telecommunication carriers did not submit data or
21 contributions during the month.

22 13. As of August 2000, there were 102 entities listed as delinquent or non-compliant
23 contributors. This status dates back 930 days for some companies.

24 14. NECA is currently not authorized by the Commission to implement an effective
25 collection procedure or authorized to write-off minimal debts and credits.

26 15. Based on the facts listed above, Staff believes that an approved procedure is required
27 to enable the NECA to collect or write-off delinquent accounts. The procedure will create
28 administrative efficiencies and will result in a more equitable program.

1 16. The proposed ASUF delinquent collection procedure to be implemented by NECA if
2 approved by the Commission is as follows:

- 3 a.) Companies will be sent past due reminder notices when they are 30 days
4 delinquent and again when they are 60 days delinquent.
- 5 b.) All delinquencies over 30 days are to be charged the greater of \$50 or 1.50
6 percent late fee.
- 7 c.) Companies that are 90 days delinquent will be sent a certified, return receipt
8 final past due notice that specifies the company has 20 days after receipt to
respond with payment or explanation.
- 9 d.) For companies that remain delinquent, NECA will retain a copy and forward
10 the original certified letter and return receipt to the Commission within 30 days
11 of the company's failure to respond.
- 12 e.) The Commission Staff of the Legal Division will send each company a letter
13 informing it of the necessary corrective action, if the company does not remit
14 payments to the AUSF.
- 15 f.) If a company fails to respond to the Commission letter, then the Commission
will take further action as deemed appropriate.

16 17. The proposed ASUF write-off procedure to be implemented by NECA if approved by
17 the Commission is as follows:

- 18 a.) NECA is authorized to write-off any delinquent company's outstanding balance
19 of \$100.00 or less (late payment charges are exempt from write-off), once the
20 balance becomes 180-days or more delinquent.
- 21 b.) NECA is authorized to write-off minimal credit balances owed as refunds to
22 companies. This policy would apply only to companies meeting the following
23 criteria:
- 24 1. The company is no longer doing business in Arizona and has not
25 provided NECA with any current contact information. NECA's efforts
to contact the company are unsuccessful and therefore, no refund can
be issued, or

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2. The company is 180-days or more delinquent in reporting to NECA. but it has a minimal credit balance of \$100.00 or less. A company m this criteria has not reported AUSF assessments for the delinquent months but has credit balance. (Often, the company will request a refund. NECA has denied issuing a refund since the company refuses to submit AUSF worksheets for delinquent months).

CONCLUSIONS OF LAW

1. The Commission has the authority to authorize pursuant to A.R.S. 40-202, -203, -204, -250, -321, -322, -328, -329, -331, -332, -361, -365, and -367; the Arizona Constitution, Art. 15, sections 1, 2, 3, 4, 6, 7 and 9; and the Arizona Universal Service Fund Rules, A.A.C. R14-2-1201 through R14-2-1217.

2. The Commission has jurisdiction over the subject matter.

3. The 1999 surcharges for Category One and Category Two providers meet the requirements of the AUSF rules, are just and reasonable and in the public interest.

4. The delinquent/ write-off procedures will create administrative efficiencies bec NECA and Commission Staff will spend less time tracking companies, with little or no impact on the financial status of the fund.

ORDER

THEREFORE, IT IS ORDERED that the year 2001 monthly Arizona Universal Service Fund surcharge for Category One providers is \$0.010876 per access line and \$0.108758 per interconnecting trunk line.

IT IS FURTHER ORDERED that the year 2001 monthly Arizona Universal Service Fund surcharge for Category Two providers is 0.1184 percent of intrastate toll revenue.

IT IS FURTHER ORDERED that the year 2001 monthly Arizona Universal Service Fund contributions become effective for services provided after January 1, 2001.

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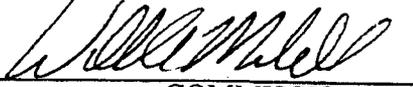
1 IT IS FURTHER ORDERED NECA is hereby directed to comply with the Staff
2 recommendations set forth in Finding of Fact Nos. 16 and 17.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.
4

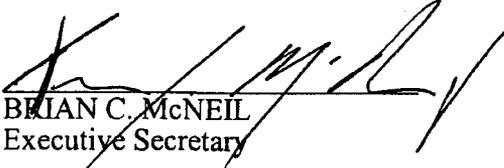
5 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

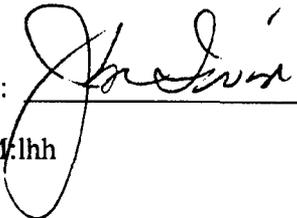
6 
7 CHAIRMAN

8 _____
9 COMMISSIONER

10 
11 _____
12 COMMISSIONER

13 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
14 Executive Secretary of the Arizona Corporation
15 Commission, have hereunto, set my hand and caused the
16 official seal of this Commission to be affixed at the Capitol,
17 in the City of Phoenix, this 15th day of December, 2000.

18 
19 _____
20 BRIAN C. McNEIL
21 Executive Secretary

22 DISSENT: 
23 _____
24 DRS:RLM:lh
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26
27
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1 SERVICE LIST FOR: ARIZONA UNIVERSAL SERVICE FUND
2 DOCKET NO.: RT-00000H-97-0137
3 CHARLES E. BORN
4 MANAGER, REGULATORY AFFAIRS
5 CITIZENS COMMUNICATIONS
6 7901 FREEPORT BLVD., SUITE 200
7 SACRAMENTO, CA 95832
8
9 CURT HUTSELL
10 CITIZENS UTILITIES COMPANY
11 2901 N. CENTRAL AVENUE, SUITE 1660
12 PHOENIX, ARIZONA 85012
13
14 TIMOTHY J. BERG
15 FENNEMORE CRAIG
16 3003 NORTH CENTRAL AVENUE, #2600
17 PHOENIX, ARIZONA 85012
18
19 TOM DETHLEFS
20 QWEST CORPORATION
21 1801 CALIFORNIA STREET, STE. 5100
22 DENVER, COLORADO 80802
23
24 MAUREEN ARNOLD
25 QWEST CORPORATION
26 3030 N. 3RD STREET, ROOM 1010
27 PHOENIX, ARIZONA 85012
28
29 LYN FARMER
30 CHIEF COUNSEL
31 LEGAL DIVISION
32 ARIZONA CORPORATION COMMISSION
33 1200 WEST WASHINGTON STREET
34 PHOENIX, ARIZONA 85007
35
36 DEBORAH R. SCOTT
37 DIRECTOR
38 UTILITIES DIVISION
39 ARIZONA CORPORATION COMMISSION
40 1200 WEST WASHINGTON
41 PHOENIX, ARIZONA 85007
42
43
44
45
46
47
48

1 ERIC D. SEGUIN, MANAGER
STATE USAF PROGRAMS
2 NATIONAL EXCHANGE CARRIER ASSOCIATION
100 SOUTH JEFFERSON STREET
3 WHIPPANY, NEW JERSEY 07981

4
5 With copies to:

6 MR JOHN KELLY
EXECUTIVE ASSISTANT TO THE GOVERNOR
7 OFFICE OF THE GOVERNOR
1700 WEST WASHINGTON STREET
8 PHOENIX AZ 85007

9 MR RICHARD SILVERMAN
10 GENERAL MANAGER
SALT RIVER PROJECT
11 P O BOX 52025
12 PHOENIX AZ 85072-2025

13 PAT VANMIDDE
AT&T COMMUNICATIONS OF
14 THE MOUNTAIN STATES
2800 NORTH CENTRAL AVENUE
15 PHOENIX AZ 85004

16 MR RAYMOND HEYMAN
17 ROSHKA HEYMAN & DEWULF
400 NORTH 5TH STREET SUITE 1000
18 PHOENIX AZ 85004

19 MR BRUCE MEYERSON
20 STEPTOE & JOHNSON
40 NORTH CENTRAL AVENUE, 24TH FLOOR
21 PHOENIX AZ 85004

22 MR TOM MUMAW
23 SNELL & WILMER
ONE ARIZONA CENTER
24 400 WEST VAN BUREN
25 PHOENIX AZ 85004

26 MR RICK WOLTERS
LEGAL COUNSEL
27 AT&T COMMUNICATIONS INC
1875 LAWRENCE STREET - SUITE 1575
28 DENVER CO 80202

1 MS SUSAN MCADAMS
ELECTRIC LIGHTWAVE
2 P O BOX 4678
3 VANCOUVER WA 98662

4 MR MICHAEL A MORRIS
REGIONAL DIRECTOR
5 REGULATORY & EXTERNAL AFFAIRS
6 TCG TELEPORT COMMUNICATIONS GROUP
ONE BUSH STREET - SUITE 510
7 SAN FRANCISCO CA 94104-4406

8 MR FRANK CROAN
9 MANAGER - NEW BUSINESS DEVELOPMENT
TIMES MIRROR CABLE TELEVISION INC
10 115 NORTH 15ST AVENUE
PHOENIX AZ 85043

11
12 MS JUDITH A D HOLCOMB
U S WEST NEWVECTOR
13 U S HWY 60 EAST OF MAGDALENA
P O BOX 144
14 MAGDALENA NM 87825

15 MS JOAN C HINSON
16 TCA ARIZONA CHAPTER PRESIDENT
TELECOMMUNICATIONS ASSOCIATION
17 JOHN C LINCOLN HOSPITAL
250 EAST DUNLAP
18 PHOENIX AZ 85020

19 ABA STEVENS
20 SERVICES AND REVENUE
CITIZENS UTILITIES COMPANY
21 1035 PLACER STREET
P O BOX 496020
22 REDDING CA 96049-6020

23 ARIZONA TELEPHONE COMPANY
24 5253 NORTH DROMEDARY ROAD
PHOENIX AZ 85018

25
26 MS ELLEN CORKHILL
COORDINATOR
27 AARP
5606 NORTH 17TH STREET
28 PHOENIX AZ 85016

1 MS JUDY BRUNS
2 VALLEY TELEPHONE COOPERATIVE INC
3 P O BOX 699
4 752 EAST MALEY
5 WILLCOX AZ 85643-1304

6 MR KENNETH F MELLEY JR
7 U S LONG DISTANCE INC
8 9311 SAN PEDRO - SUITE 300
9 SAN ANTONIO TX 78216

10 MS JEAN L KIDDOO ESQ
11 SWIDLER & BERLIN CHARTERED
12 3000 K STREET NW - SUITE 300
13 WASHINGTON DC 20007-3841

14 MR BOB WHIPPLE
15 STENOCALL
16 1515 AVENUE J
17 P O BOX 10127
18 LUBBOCK TX 79408

19 MR MIKE SCHULTIES
20 STAFF MANAGER - REGULATORY
21 ALLTEL SERVICE CORP
22 1 ALLIED DRIVE
23 LITTLE ROCK AR 72202

24 MR RICK MCALLISTER
25 MANAGER REGULATORY
26 ALLTEL NAVAJO COMMUNICATION COMPANY
27 2121 N CALIFORNIA - #400
28 WALNUT CREEK CA 94596

MR STEVE WHEELER - ATTORNEY
SNELL & WILMER
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET
PHOENIX AZ 85004-0001

MS JANINE D BURKE
SPRINT COMMUNICATIONS COMPANY
8140 WARD PARKWAY - #5E
KANSAS CITY MO 64114

- 1 MR MARK BROWN
- REGULATORY ATTORNEY
- 2 MCI TELECOMMUNICATIONS CORP
- 201 SPEAR STREET - 9TH FLOOR
- 3 SAN FRANCISCO CA 94105
- 4
- 5 MR TOM CAMPBELL - ATTORNEY
- MCI TELECOMMUNICATIONS CORP
- LEWIS AND ROCA
- 6 40 NORTH CENTRAL AVENUE
- 7 PHOENIX AZ 85004-4429
- 8 MS JENNIFER S POMEROY - DIRECTOR
- BUSINESS/GOVERNMENT RELATIONS
- 9 U S WEST CELLULAR
- 10 3350 161ST AVENUE SE
- P O BOX 96087
- 11 BELLEVUE WA 98009
- 12 QWEST CORPORATION
- 1801 CALIFORNIA STREET #5200
- 13 DENVER CO 80202
- 14
- 15 MR MIKE PATTEN
- ATTORNEY
- BROWN & BAIN PA
- 16 2901 NORTH CENTRAL AVENUE
- 17 PHOENIX AZ 85012
- 18 MR JIM ROOF
- QWEST CORPORATION
- 19 3033 N 3RD STREET ROOM 1010
- 20 PHOENIX AZ 85012
- 21 MR FELIX WILLIAMSON
- U S WEST COMMUNICATIONS INC
- 22 3033 NORTH 3RD STREET ROOM #1010
- 23 PHOENIX AZ 85012
- 24 MR JOE HANLEY
- MANAGER
- 25 ARIZONA TELEPHONE COMPANY
- 2236 WEST SHANGRI-LA ROAD
- 26 PHOENIX AZ 85029
- 27
- 28

- 1 SPRINT COMMUNICATIONS COMPANY LP
- 2 8140 WARD PARKWAY SE
- 3 KANSAS CITY MO 64114

- 4 MR SCOTT RAFFERTY
- 5 C/O AREIE GROUP
- 6 4730 MASSACHUSETTS AVENUE
- 7 WASHINGTON DC 20016

- 8 MR JAMAL ALLEN ATTORNEY
- 9 O'CONNOR CAVANAUGH ANDERSON
- 10 WESTOVER & BESHEARS
- 11 ONE EAST CAMELBACK - SUITE 1100
- 12 PHOENIX AZ 85012

- 13 MR TONY DITIRRO
- 14 MCI COMMUNICATIONS CORPORATION
- 15 201 SPEAR STREET 9TH FLOOR
- 16 SAN FRANCISCO CA 94105

- 17 MR JOHN COLEMAN
- 18 ELECTRIC LIGHTWAVE
- 19 2600 NORTH CENTRAL AVENUE #300
- 20 PHOENIX AZ 85004

- 21 MS JODIE CARO
- 22 MFS COMMUNICATIONS COMPANY INC
- 23 999 OAKMONT PLAZA DR - APT 400
- 24 WESTMONT IL 60559-5516

- 25 MR FRANK HATZENBUEHLER
- 26 MR JOHN O LAUE
- 27 COMMUNICATIONS ENGINEERING SUPERVISOR
- 28 CITY OF TEMPE
- MANAGEMENT SERVICES DEPARTMENT
- 132 EAST 6TH STREET SUITE B109
- TEMPE AZ 85280

- MR C K CHIP CASTEEL JR
- DIRECTOR OF STATE REGULATORY
- AND GOVERNMENTAL AFFAIRS
- MCI TELECOMMUNICATIONS CORPORATION
- 1801 PENNSYLVANIA AVENUE NW
- WASHINGTON DC 20006

- 1 MR AL CRAWFORD
- 2 CHAIRMAN GOVERNOR'S TELECOMMUNICATIONS
- 3 STUDY COMMITTEE
- 4 8736 NORTH 68TH STREET
- 5 PARADISE VALLEY AZ 85253
- 6
- 7 MR JOE HOMMEL
- 8 ELECTRIC LIGHTWAVE
- 9 8100 N E PARKWAY DRIVE SUITE 200
- 10 VANCOUVER WA 98662
- 11
- 12 MR FRED M SHEPHERD NCE
- 13 TELEPHONE DIVISION MANAGER
- 14 TOHONO O'ODHAM UTILITY AUTHORITY
- 15 P O BOX 816
- 16 SELLS AZ 85634
- 17
- 18 MR DAREL ESCHBACH
- 19 EXECUTIVE DIRECTOR
- 20 TELECOMMUNICATIONS SERVICES
- 21 ARIZONA STATE UNIVERSITY
- 22 BOX 870201
- 23 TEMPE AZ 85287-0201
- 24
- 25 MR JIM BROSHAR
- 26 EXECUTIVE VICE PRESIDENT
- 27 ROCKY MOUNTAIN TELECOM ASSOCIATION
- 28 10105 EAST VIA LINDA SUITE 103-340
- SCOTTSDALE AZ 85258
- 19
- 20 MR PAUL SCHNEIDER
- 21 ARIZONA BUSINESS GAZETTE
- 22 P O BOX 1950
- 23 PHOENIX AZ 85001
- 24
- 25 MR JEFFREY WEIR
- 26 EXECUTIVE DIRECTOR
- 27 SOUTHERN GILA COUNTY
- 28 ECONOMIC DEVELOPMENT CORPORATION
- P O BOX 1351
- GLOBE AZ 85502
- 26
- 27 MS SUE WILLIAMS
- 28 DIRECTOR REGULATORY AFFAIRS
- TELTRUST COMMUNICATIONS SERVICES INC
- 221 NORTH CHARLES LINDBERGH DRIVE
- SALT LAKE CITY UT 84116

1 MR MIKE LAUGHLIN
DIRECTOR OF OPERATIONS
2 NORSTAN COMMUNICATIONS
3 6900 WEDGEWOOD ROAD
MAPLE GROVE MN 55311
4
5 MS VICTORIA CHAMPA
NATIONAL SALES MANAGER
6 INTER-TEL NETSOLUTIONS
4909 EAST MCDOWELL ROAD, SUITE 109
7 PHOENIX AZ 85008-4293
8
9 MR IVAN JOHNSON
VICE PRESIDENT OF PUBLIC AFFAIRS
10 TIMES MIRROR CABLE TELEVISION
17602 NORTH BLACK CANYON HIGHWAY
PHOENIX AZ 85023
11
12 MR RANDY YOUNG
GOVERNMENT ACCOUNTS MANAGER
13 10300 NORTH 6TH AVENUE N
PLYMOUTH MN 55441
14
15 MS JANIS A STAHLHUT
VICE PRESIDENT REGULATORY AFFAIRS
16 TIMEWARNER COMMUNICATIONS
300 FIRST STAMFORD PLACE
17 STAMFORD CT 06902-6732
18
19 MS CINDY Z SCHONHAUT
VICE PRESIDENT GOVERNMENT AFFAIRS
20 MFS COMMUNICATIONS COMPANY INC
GOVERNMENT AFFAIRS OFFICE
3000 K STREET NW SUITE 300
21 WASHINGTON DC 20007
22
23 JIM WORTHAM
ADMINISTRATOR
24 FIRE DEPARTMENT COMPUTER SERVICES
CITY OF PHOENIX
620 WEST WASHINGTON STREET
25 PHOENIX AZ 85003
26
27
28

Decision No.

63267

- 1 CATHERINE A NICHOLS
- TEP - LEGAL DEPARTMENT
- 2 220 WEST SIXTH STREET
- 3 P O BOX 711
- TUCSON AZ 85702
- 4
- 5 TERRY TRAPP, PRESIDENT
- U S COMMUNICATIONS UNLIMITED, INC
- 6 274 SNYDER MOUNTAIN ROAD
- EVERGREEN CO 80439
- 7
- 8 JESSE W SEARS
- ASSISTANT CHIEF COUNSEL
- 9 CITY ATTORNEY'S OFFICE
- CITY OF PHOENIX
- 10 200 WEST WASHINGTON, 13TH FLOOR
- PHOENIX AZ 85003-1611
- 11
- 12 JOANNA HOLLAND
- PUBLIC AFFAIRS DIRECTOR
- 13 PHOENIX CHAMBER OF COMMERCE
- 201 NORTH CENTRAL AVE., 27TH FLOOR
- 14 PHOENIX AZ 85073
- 15
- 16 JOANNE WALLIN
- PACIFIC BELL
- 140 NEW MONTGOMERY STREET SUITE 1505
- 17 SAN FRANCISCO CA 94105
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28