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BEFORE THE ARIZONA CORPORATION COMMISSION  
Arizona Corporation Commission

DOCKETED

JUN 13 2000

2 CARL J. KUNASEK  
CHAIRMAN  
3 JIM IRVIN  
COMMISSIONER  
4 WILLIAM A. MUNDELL  
COMMISSIONER

DOCKETED BY

5  
6 IN THE MATTER OF THE APPLICATION OF  
SBC TELECOM, INC. FOR A CERTIFICATE OF  
7 CONVENIENCE AND NECESSITY TO PROVIDE  
FACILITIES-BASED AND RESOLD  
8 COMPETITIVE LOCAL EXCHANGE AND  
INTEREXCHANGE TELECOMMUNICATIONS  
9 SERVICES.

DOCKET NO. T-03811A-99-0693

DECISION NO. 62645

OPINION AND ORDER

10 DATE OF HEARING: May 3, 2000  
11 PLACE OF HEARING: Phoenix, Arizona  
12 PRESIDING OFFICER: Stephen Gibelli  
13 APPEARANCES: Mr. Gary L. Lane, Esq., on behalf of SBC Telecom,  
Inc.;  
14 Ms. Jennifer Prendiville, FENNEMORE CRAIG, P.C.,  
15 on behalf of U S WEST Communications Inc.,  
Intervenor, and;  
16 Ms. Teena Wolfe, Staff Attorney, Legal Division, on  
17 behalf of the Utilities Division of the Arizona  
Corporation Commission.

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. SBC Telecom, Inc. ("Applicant" or "SBC") is a Delaware corporation, authorized to  
23 do business in Arizona since 1999.

24 2. On December 3, 1999, SBC filed with the Commission an application for a Certificate  
25 of Convenience and Necessity ("Certificate") to provide competitive resold and facilities-based local  
26 exchange telecommunications services in Arizona.

27 3. On December 17, 1999, Applicant filed a supplemental application for a Certificate to  
28 provide facilities-based and resold competitive local exchange and interexchange services within the

1 State of Arizona.

2 4. On February 29, 2000, the Commission's Utilities Division Staff ("Staff") filed its  
3 Staff Report, which recommended approval of the application and included a number of additional  
4 recommendations.

5 5. On March 6, 2000, Applicant filed Affidavits of Publication indicating that SBC  
6 published notice of the application.

7 6. On March 30, 2000, U S West Communications, Inc. ("U S WEST") filed a Motion  
8 for Leave to Intervene, and was granted intervention on April 13, 2000.

9 7. Pursuant to the March 7, 2000 Procedural Order, a hearing was held on May 3, 2000,  
10 and Applicant and Staff presented evidence. U S WEST cross-examined witnesses, but did not  
11 present any evidence.

12 8. U S WEST and SBC have reached an interconnection agreement in Docket No.'s T-  
13 03811A-00-0266 and T-01051A-00-0266.

14 9. The management of SBC has many years of experience in the telecommunication.  
15 industry.

16 10. Applicant has the technical capability to provide the services that are proposed in its  
17 application.

18 11. Currently there are several incumbent providers of local exchange, toll, and exchange  
19 access services in the service territory requested by Applicant, and at least twelve other entities have  
20 been authorized to provide competitive local exchange services in all or portions of that territory.

21 12. It is appropriate to classify all of Applicant's authorized services as competitive.

22 13. The Staff Report stated that Applicant has no market power and the reasonableness of  
23 its rates would be evaluated in a market with numerous competitors.

24 14. Staff recommended that SBC's application for a Certificate to provide local-exchange,  
25 and interexchange telecommunications services be granted subject to the following conditions:

26  
27 (a) That SBC be required to file its proposed tariffs at least 30 days prior to  
offering such services;

28 (b) That, unless it provides services solely through the use of its own facilities,

SBC procure an Interconnection Agreement that is consistent with these guidelines before being allowed to offer local exchange service;

- 2 (c) That SBC file with the Commission its plan to have its customers' telephone  
3 numbers included in the incumbent's Directories and Directory Assistance  
4 databases within 30 days of a Decision in this matter;
- 5 (d) That SBC pursue permanent number portability arrangements with other  
6 LEC's pursuant to Commission rules, federal laws, and federal rules;
- 7 (e) That SBC agree to abide by and participate in the AUSF mechanism instituted  
8 in Decision No. 59623, dated April 24, 1996 (Docket No. R-0000-95-0498);
- 9 (f) That SBC abide by the quality of service standards that were approved by the  
10 Commission for USWC in Docket No. T-01051B-93-0183, but that the  
11 penalties' provision not apply to SBC;
- 12 (g) That in areas where SBC is the sole provider of local exchange service  
13 facilities, SBC provide customers with access to alternative providers of  
14 service pursuant to the provisions of Commission rules, federal laws, and  
15 federal rules;
- 16 (h) That SBC be required to certify, through the 911 service provider in the area  
17 in which it intends to provide service, that all issues associated with the  
18 provision of 911 service have been resolved with the emergency service  
19 providers before it begins to provide local exchange service;
- 20 (i) That SBC be required to abide by all the Commission decisions and policies  
21 regarding CLASS services;
- 22 (j) That SBC be required to comply with A.A.C. R14-2-1111, which requires  
23 local exchange companies provide 2-PIC equal access;
- 24 (k) That SBC be required to certify that all notification requirements have been  
25 completed prior to a final determination in this proceeding; and,
- 26 (l) That SBC be required to abide by all Commission rules and regulations.

27 15. According to Staff, SBC has submitted the 10-Q report of its parent company SBC  
28 Communications, Inc., for the third quarter of 1999, along with its 1998 annual report. These  
financial statements list assets of \$45 billion, total equity of \$12.8 billion, and a net income of \$3.3  
billion.

16. Based on the financial information provided, Staff believes that SBC has sufficient  
financial strength to offer telecommunications services in Arizona.

17. On April 27, 2000, U S WEST filed comments requesting that SBC's Certificate be  
geographically limited to the areas that it can serve and intends to serve in the near future; that the  
Commission should specify that SBC is a public service corporation and it is required to operate as a

1 carrier of last resort; and that SBC should be subject to fair rate of return and rate base requirements.

2 CONCLUSIONS OF LAW

3 1. Applicant is a public service corporation within the meaning of Article XV of the  
4 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

5 2. The Commission has jurisdiction over Applicant and the subject matter of the  
6 application.

7 3. Notice of the application was given in accordance with the law.

8 4. A.R.S. § 40-282 allows a telecommunications company to file an application for a  
9 Certificate to provide competitive telecommunications services.

10 5. Pursuant to Article XV of the Arizona Constitution as well as the Arizona Revised  
11 Statutes, it is in the public interest for Applicant to provide the telecommunications services set forth  
12 in its application.

13 6. With the conditions stated below, SBC is a fit and proper entity to receive a Certificate  
14 authorizing it to provide competitive resold and facilities-based local exchange, interexchange, and  
15 access services in Arizona.

16 7. The telecommunications services that the Applicant intends to provide are competitive  
17 within Arizona.

18 8. Pursuant to Article XV of the Arizona Constitution as well as the Competitive Rules,  
19 it is just and reasonable and in the public interest for Applicant to establish rates and charges which  
20 are not less than the Applicant's total service long-run incremental costs of providing the competitive  
21 services approved herein.

22 9. Staff's recommendations in Findings of Fact No. 14 are reasonable and should be  
23 adopted, in addition to further orders below.

24 ORDER

25 IT IS THEREFORE ORDERED that the Application of SBC Telecom, Inc. for a Certificate  
26 of Convenience and Necessity for authority to provide competitive resold and facilities-based local  
27 exchange and interexchange telecommunications services shall be, and is hereby, granted, as  
28 conditioned below.

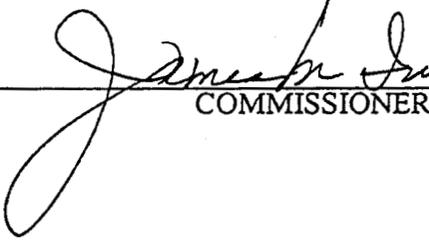
1 IT IS FURTHER ORDERED that prior to providing local exchange service, SBC Telecom,  
2 Inc. shall comply with all of the Staff recommendations set forth in Findings of Fact No. 14.

3 IT IS FURTHER ORDERED that the Interconnection Agreement between U S WEST and  
4 SBC Telecom, Inc. in Docket No.'s T-03811A-00-0266 and T-01051A-00-0266, shall be approved  
5 by this Commission prior to SBC Telecom, Inc. providing service.

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

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

8   
9 CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

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12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
Commission to be affixed at the Capitol, in the City of Phoenix,  
this 13<sup>th</sup> day of June, 2000.

15   
16 BRIAN C. McNEIL  
17 EXECUTIVE SECRETARY

18 DISSENT \_\_\_\_\_  
19 SG:bbs

1 SERVICE LIST FOR: SBC TELECOM, INC.

2 DOCKET NO.: T-03811A-99-0693

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