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Arizona Corporation Commission

DOCKETED

APR 21 1999

BEFORE THE ARIZONA CORPORATION COMMISSION

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JIM IRVIN
COMMISSIONER-CHAIRMAN
TONY WEST
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER

DOCKETED BY *MV*

IN THE MATTER OF THE APPLICATION OF
ARCHTEL, INC. FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY TO PROVIDE
COMPETITIVE INTERLATA/INTRALATA
RESOLD TELECOMMUNICATIONS SERVICES
EXCEPT LOCAL EXCHANGE SERVICES.

DOCKET NO. T-03582A-98-0342

DECISION NO. 41644

ORDER

Open Meeting
April 19 and 20, 1999
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On June 22, 1998, ArchTel, Inc. ("ArchTel" or "Applicant") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide resold telecommunications service in the State of Arizona.
2. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") were public service corporations subject to the jurisdiction of the Commission.
3. In Decision No. 59124 (June 23, 1995), the Commission adopted A.A.C. R14-2-1101 through R14-2-1115 to regulate resellers.
4. ArchTel is a Delaware corporation, which has been qualified to conduct business in Arizona since 1999.
5. ArchTel is a switchless reseller, which purchases telecommunications services from Frontier and Sprint.
6. On November 6, 1998, the Commission's Utilities Division Staff ("Staff") filed a Staff Report.

1 7. The Staff Report stated that ArchTel provided a SEC Form 10-K for the years enc
2 December 31, 1996 and December 31, 1997, which indicated a net loss of \$114.7 million on revenues
3 of \$331.4 million in 1996, and a net loss of \$181.9 million on revenues of \$396.8 million in 1997.
4 Applicant had current assets of \$51 million, total assets of \$1.02 billion, stockholders equity of
5 negative \$33.3 million, and negative retained earnings of \$384.6 million in 1997. Staff stated that
6 Applicant has adequate financial resources to make necessary plant additions or incur operating
7 losses.

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

10 9. Staff recommended that:

11 (a) Applicant's application for a Certificate should be approved subject to A.A.C.
12 R14-2-1106.B;

13 (b) Applicant's intrastate toll service offerings should be classified as competitive
14 pursuant to A.A.C. R14-2-1108;

15 (c) Applicant's competitive services should be priced at the effective rates set
16 forth in Applicant's tariffs and the maximum rates for these services should be
17 the maximum rates proposed by Applicant in its tariffs. The minimum rates
18 for Applicant's competitive services should be Applicant's long run
19 incremental costs of providing those services as set forth in A.A.C. R14-2-
20 1109. Any future changes to the maximum rates in Applicant's tariffs must
21 comply with A.A.C. R14-2-1110;

22 (d) Applicant should be required to comply with the Commission's Rules and
23 modify its tariffs to conform with these Rules, if it is determined that there is a
24 conflict between Applicant's tariffs and the Commission's Rules; and

25 (e) The application may be approved without a hearing.

26 10. By Procedural Order dated November 28, 1998, the Commission set a deadline of
27 December 28, 1998 for filing exceptions to the Staff Report; requesting that a hearing be set; or
28 requesting intervention as interested parties. The Procedural Order also directed Applicant to file
evidence of authorization to do business in Arizona by December 28, 1998.

 11. Applicant requested an extension of time to file evidence of authorization, which was
granted. Evidence of authorization was filed on March 15, 1999.

 12. No exceptions were filed to the Staff Report, nor did any party request that a hearing...

1 be set, nor were any requests for intervention filed with Docket Control.

2 13. In order to protect the public interest, it is appropriate to require that if Applicant
3 desires to receive prepayments, advances or deposits from its customers, it should establish an escrow
4 account or post a bond, as described below.

5 **CONCLUSIONS OF LAW**

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

8 2. The Commission has jurisdiction over Applicant and the subject matter of the
9 application.

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

11 4. As conditioned below, the provision of competitive interLATA/intraLATA reseller
12 services in Arizona by Applicant is in the public interest.

13 5. With the conditions contained herein, Applicant is a fit and proper entity to receive a
14 Certificate for providing competitive interLATA/intraLATA reseller services in Arizona.

15 6. Staff's recommendations in Findings of Fact No. 9 are reasonable and should be
16 adopted.

17 **ORDER**

18 IT IS THEREFORE ORDERED that the application of ArchTel, Inc. for a Certificate of
19 Convenience and Necessity for authority to provide competitive interLATA/intraLATA resold
20 telecommunications services except local exchange services shall be, and the same is, hereby granted.
21 as limited below.

22 IT IS FURTHER ORDERED that ArchTel, Inc. shall comply with the Staff recommendations
23 set forth in Findings of Fact No. 9.

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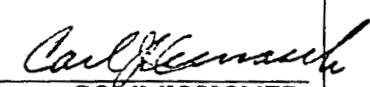
1 IT IS FURTHER ORDERED that ArchTel, Inc. shall not be authorized to charge custom
2 any prepayments, advances or deposits, unless within thirty days of this Decision it establishes an
3 escrow account or posts a bond equivalent to one year of prepayments, advances or deposits to be
4 received from Arizona customers, in advance of receipt of the prepayments, advances or deposits. If
5 in the future ArchTel, Inc. desires to initiate such charges, or to terminate its escrow account or bond,
6 it must file information with the Commission that demonstrates the company's financial viability.
7 Staff shall review the information and file its recommendation concerning financial viability within
8 thirty days of receipt of the financial information, for Commission approval.

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

10 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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14 COMMISSIONER-CHAIRMAN


COMMISSIONER


COMMISSIONER

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16 IN WITNESS WHEREOF, I, STUART R. BRACKNEY,
17 Acting Executive Secretary of the Arizona Corporation
18 Commission, have hereunto set my hand and caused the official
19 seal of the Commission to be affixed at the Capitol, in the City
20 of Phoenix, this 21 day of April, 1999.


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22 STUART R. BRACKNEY
23 ACTING EXECUTIVE SECRETARY

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22 DISSENT _____
BMB:bbs

1 SERVICE LIST FOR:

ARCHTEL, INC.

2 DOCKET NO.

T-03582A-98-0342

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