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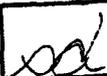
BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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

DOCKETED

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DOCKETED BY 

IN THE MATTER OF THE APPLICATION OF
TRANSAMERICAN TELEPHONE, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE LOCAL EXCHANGE
SERVICES AS A RESELLER.

DOCKET NO. T-03402A-97-0386

DECISION NO. 61604

ORDER

Open Meeting
March 30 and 31, 1999
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On September 25, 1997, TransAmerican Telephone, Inc. ("Applicant") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide local exchange telecommunications services as a reseller 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. Applicant is a Texas corporation that has been authorized to do business in Arizona since 1998.
5. The Commission has not yet approved a resale agreement between Applicant and an underlying facilities-based local exchange carrier.

1 6. On November 5, 1998, the Commission's Utilities Division Staff ("Staff") filed a
2 Staff Report. On January 27, 1999, Staff filed an amended Staff Report.

3 7. In the amended Staff Report, Staff stated that Applicant had provided unaudited
4 financial statements for the nine months ended September 30, 1998, which indicated Applicant had
5 total assets of \$13,491 and retained earnings of \$4,725, with net income of \$5,822 on sales of
6 \$197,024. Staff did not believe that Applicant possessed adequate financial resources to provide
7 competitive telecommunications services in Arizona. Consequently, Staff recommended: (1) that
8 Applicant procure a performance bond equal to the expenses needed to cover 60 days service to its
9 customers; (2) the amount of the performance bond must be increased if at any time it would be
10 insufficient to cover 60 days service to its customers; (3) if the Applicant desires to discontinue
11 service it must file an application with the Commission pursuant to A.A.C. R14-2-1107; (4) the
12 Applicant must notify each of its customers and the Commission 60 days prior to filing pursuant to
13 A.A.C. R14-2-1107; (5) failure to meet this requirement will result in forfeiture of the Applicant's
14 performance bond; and (6) if after one year, Applicant desires to discontinue the performance bond
15 it must file information with Staff that demonstrates the Applicant's financial viability. Staff will
16 review the information and provide the Applicant its decision concerning financial viability within
17 30 days of receipt of the information. Staff believed that if Applicant ceases to do business in
18 Arizona, the additional financial requirements, along with A.A.C. R14-2-1107 are sufficient to
19 protect the Applicant's customers.

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

22 9. Staff further recommended that :

23 (a) Applicant's application for a Certificate should be approved without a hearing
24 subject to A.A.C. R14-2-1106.B and the conditions set forth above;

25 (b) Applicant's local exchange service offering should be classified as
26 competitive pursuant to A.A.C. R14-2-1108;

27 (c) Applicant's competitive services should be priced at the effective rates
28 forth in Applicant's tariffs and the maximum rates for these services should be
maximum rates proposed by Applicant in its tariffs. The minimum rates for

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applicant's competitive services should be Applicant's long run incremental costs of providing those services as set forth in A.A.C. R14-2-1109. Any future changes to the maximum rates in Applicant's tariffs must comply with A.A.C. R14-2-1110; and

(d) Applicant should be required to comply with the Commission's rules and modify its tariffs to conform with the rules if it is determined there is a conflict between Applicant's tariffs and the Commission's rules.

10. By Procedural Order dated December 21, 1998, the Commission set a deadline of January 29, 1999, for filing exceptions to the Staff Report; requesting that a hearing be set; or requesting intervention as interested parties.

11. The Commission granted intervention to US WEST Communications, Inc. on September 9, 1997.

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

CONCLUSIONS OF LAW

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

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

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

4. As conditioned below, the provision of competitive local exchange reseller services by Applicant is in the public interest.

5. Applicant is a fit and proper entity to receive a Certificate for providing competitive local exchange services as a reseller in Arizona.

6. Before providing service in Arizona, Applicant must have a resale agreement that has been approved by the Commission, with an underlying facilities-based local exchange carrier.

7. Staff's recommendations in Findings of Fact Nos. 7 and 9 are reasonable and should be adopted.

ORDER

IT IS THEREFORE ORDERED that the Application of TransAmerican Telephone, Inc. for

1 a Certificate of Convenience and Necessity for authority to provide competitive resold lo
2 exchange services shall be, and the same is hereby granted, conditioned upon TransAmerican
3 Telephone, Inc. procuring a performance bond in accordance with Staff's recommendations in
4 Findings of Fact No. 7. If after one year, TransAmerican Telephone, Inc. desires to discontinue the
5 performance bond, it must file information with Staff that demonstrates its financial viability. Staff
6 will review the information and provide its decision concerning financial viability within 30 days
7 of receipt of the information.

DONE 5/11/98 60833

8 IT IS FURTHER ORDERD that prior to providing service in Arizona, TransAmerican
9 Telephone, Inc. shall have a Commission-approved resale agreement with a facilities-based local
10 exchange carrier.

11 IT IS FURTHER ORDERED that TransAmerican Telephone, Inc. shall comply with the
12 Staff recommendations set forth in Findings of Fact No. 9.

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

14 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

15
16 COMMISSIONER-CHAIRMAN

[Signature]
COMMISSIONER

[Signature]
COMMISSIONER

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19 IN WITNESS WHEREOF, I, STUART R BRACKNEY,
20 Acting Executive Secretary of the Arizona Corporation
21 Commission, have hereunto set my hand and caused the
22 official seal of the Commission to be affixed at the Capitol, in
23 the City of Phoenix, this 1 day of April 1999.

[Signature]
24 STUART R. BRACKNEY
25 ACTING EXECUTIVE SECRETARY

26 DISSENT
27 JR:bbs

[Signature]

1 SERVICE LIST FOR: TRANSAMERICAN TELEPHONE, INC.

2 DOCKET NO. T-03402A-97-0386

3 Patrick Will, President
4 TransAmerican Telephone, Inc.
5 209 East University
6 Denton, Texas 76201

7 Timothy Berg
8 FENNEMORE CRAIG
9 3003 N. Central Avenue, Suite 2600
10 Phoenix, Arizona 85012
11 Attorneys for US WEST Communications, Inc.

12 Paul Bullis, Chief Counsel
13 Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Director, Utilities Division
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

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