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OPEN MEETING

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MEMORANDUM

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2005 DEC 23 A 8:51

TO: THE COMMISSION

FROM: Utilities Division  
AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: December 23, 2005

RE: IN THE MATTER OF THE APPLICATION OF PAETEC COMMUNICATIONS, INC.  
TARIFF FILING TO INCREASE THE DIRECTORY ASSISTANCE RATE (DOCKET  
NO. T-03663A-05-0474)

On July 1, 2005, PAETEC Communications, Inc. ("PAETEC") filed tariff revisions to increase the maximum and current rates for its Directory Assistance service provided to long distance users. In this filing, PAETEC proposes to increase its maximum rate from \$1.15 to \$2.00 per request and its actual rate from \$0.75 to \$1.25 per request.

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 Rule R14-2-1110 applies to PAETEC'S proposal.

The rate increases contained in this filing are for services that have been classified as competitive by the Commission and are now subject to the Commission's Competitive Telecommunications services rules. Under those rules, rates for competitive services are not set according to rate of return regulation standards.

Staff requested information from PAETEC to allow it to determine the potential effects of approval of the filing. PAETEC provided information that indicates the expected effect of this filing is an increase in PAETEC's annual Arizona revenues of less than \$1,000. In Response to Staff's Data Request, PAETEC indicated that 102 customers will be impacted by the proposed rate changes. PAETEC currently provides only long distance service to customers in Arizona.

PAETEC's proposed rates compare to other long distance providers in Arizona as follows:

<u>Company</u>	<u>DA Service</u>	<u>Actual Rate</u>	<u>Maximum Rate</u>
Qwest CC	Long Distance	\$1.99	\$4.00
AT&T	Long Distance	\$0.60	\$3.00
Cox	Long Distance	\$1.00	\$2.00
MCI Communications	Long Distance <sup>1</sup>	\$1.99	\$3.00
Verizon LD	Long Distance	\$1.99	\$2.00

<sup>1</sup>Basic Calling Plan XX

THE COMMISSION

December 23, 2005

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PAETEC's states that its proposed rate is nation-wide.

Staff obtained information regarding PAETEC'S fair value rate base. PAETEC indicated that its fair value rate base is zero in Arizona. Because of the nature of the competitive market and other factors, a fair value analysis is not necessarily representative of PAETEC's operations. Therefore, while Staff considered the fair value rate base information of PAETEC, it did not accord that information substantial weight in its analysis of this matter.

Staff recommends approval of this filing.



for

Ernest G. Johnson  
Director  
Utilities Division

EGJ:AFF:lhm/DR

ORIGINATOR: Armando Fimbres

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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 PAETEC COMMUNICATIONS, INC. TARIFF FILING TO INCREASE THE DIRECTORY ASSISTANCE RATE	}	DOCKET NO. T-03663A-05-0474 DECISION NO. _____ <u>ORDER</u>
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Open Meeting  
 November 8 and 9, 2005  
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. PAETEC Communications, Inc. ("PAETEC") is certificated to provide intrastate telecommunications service as a public service corporation in the State of Arizona.

2. On July 1, 2005, PAETEC filed tariff revisions to increase the maximum and current rates for its Directory Assistance service provided to long distance users:

PAETEC Communications, Inc.

AZ C.C. Tariff No 1, Sheet No. 1, Sixth Revised  
AZ C.C. Tariff No. 1, Sheet No. 30, Third Revised

3. In this filing, PAETEC proposes to increase its maximum rate from \$1.15 to \$2.00 per request and its current rate from \$0.75 to \$1.25 per request.

4. On July 11, 2005, Staff issued a data request to PAETEC for information responsive to Title 14, Article 11, Section 1110 (Competitive Telecommunications Services) of the Arizona Administrative Code.

1           5.       On July 26, 2005 PAETEC filed its response to Staff's request.

2           6.       On October 4, 2005, PAETEC supplied information to Staff that it had provided  
3 customer notification in accordance with Commission requirements.

4           7.       Since this filing increases the maximum rates for a component of a service that has  
5 been classified as competitive under the Commission's Competitive Telecommunications Services  
6 Rules, Arizona Administrative Code Rule R14-2-1110 applies to PAETEC'S proposal.

7           8.       The rate increases contained in this filing are for services that have been classified  
8 as competitive by the Commission and are now subject to the Commission's Competitive  
9 Telecommunications services rules. Under those rules, rates for competitive services are not set  
10 according to rate of return regulation standards.

11          9.       Staff requested information from PAETEC to allow it to determine the potential  
12 effects of approval of the filing. PAETEC provided information that indicates the expected effect  
13 of this filing is an increase in PAETEC's annual Arizona revenues of less than \$1,000. In  
14 Response to Staff's Data Request, PAETEC indicated that 102 customers will be impacted by the  
15 proposed rate changes. PAETEC currently provides only long distance service to customers in  
16 Arizona.

17          10.       PAETEC's proposed rates compare to other long distance providers in Arizona as  
18 follows:

<u>Company</u>	<u>DA Service</u>	<u>Actual Rate</u>	<u>Maximum Rate</u>
Qwest CC	Long Distance	\$1.99	\$4.00
AT&T	Long Distance	\$0.60	\$3.00
Cox Telcom	Long Distance	\$1.00	\$2.00
MCI Communications	Long Distance <sup>1</sup>	\$1.99	\$3.00
Verizon LD	Long Distance	\$1.99	\$2.00

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24          11.       PAETEC's states that its proposed rate is nation-wide.

25          12.       Staff obtained information regarding PAETEC'S fair value rate base. PAETEC  
26 indicated that its fair value rate base is zero in Arizona. Because of the nature of the competitive  
27 market and other factors, a fair value analysis is not necessarily representative of PAETEC's  
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<sup>1</sup>Basic Calling Plan XX

1 operations. Therefore, while Staff considered PAETEC'S fair value rate base information, it did  
2 not accord that information substantial weight in its analysis of this matter.

3 13. Staff has recommended approval of this filing.

4 CONCLUSIONS OF LAW

5 1. PAETEC Communications, Inc. is an Arizona public service corporation within the  
6 meaning of Article XV, Section 2 of the Arizona Constitution.

7 2. The Commission has jurisdiction over PAETEC and over the subject matter of the  
8 Application.

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

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ORDER

IT IS THEREFORE ORDERED that the tariff filing be and hereby is approved.

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

**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:AFF:lh\DR

1 SERVICE LIST FOR: PAETEC Communications, Inc.  
2 Docket No. T-03663A-05-0474

3 Ms. Margaret Blackman  
4 Tariff & Regulatory Analyst  
5 PAETEC Communications, Inc.  
6 One PAETEC Plaza  
7 600 WillowBrook Office Park  
8 Fairport, New York 14450

9 Mr. Ernest G. Johnson  
10 Director, Utilities Division  
11 Arizona Corporation Commission  
12 1200 West Washington  
13 Phoenix, Arizona 85007

14 Mr. Christopher C. Kempley  
15 Chief Counsel, Legal Division  
16 Arizona Corporation Commission  
17 1200 West Washington  
18 Phoenix, Arizona 85007

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