



ORIGINAL OPEN MEETING

RECEIVED MEMORANDUM

2006 JAN -6 A 10:35

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TO: THE COMMISSION  
FROM: Utilities Division  
DATE: January 6, 2006

AZ CORP COMMISSION  
DOCUMENT CONTROL

RE: IN THE MATTER OF THE APPLICATION OF BELL ATLANTIC COMMUNICATIONS, INC. DBA VERIZON LONG DISTANCE TARIFF FILING TO REMOVE THE MAXIMUM RATE APPLICABLE TO THE PAY TELEPHONE SURCHARGE; AND TO PROPOSE INCREASE TO MAXIMUM RATES ASSOCIATED WITH VARIOUS SERVICES (DOCKET NO. T-03289A-04-0877)

On December 9, 2004, Bell Atlantic Communications, Inc. dba Verizon Long Distance ("Verizon") filed revisions to its Telecommunications Services Tariff and Price List. In these revisions, Verizon seeks to increase its current Pay Telephone Service ("Payphone Surcharge") rate, delete its Payphone Surcharge maximum, increase its Long Distance Message Telecommunications Services ("LDMTS") maximum rate, increase its Plan F Service maximum rate and increase its Plan G Service maximum rate.

On February 25, 2005, Verizon submitted an amendment to its requested tariff revisions. These revisions deleted Verizon's request to increase its LDMTS and Plan G Service maximum rates. Verizon indicated that it is still requesting the authority to increase its current Payphone Surcharge, delete its maximum Payphone Surcharge and increase its Plan F Service rates. A Payphone Surcharge is a per call surcharge which customers pay to ensure that all payphone service providers are fairly compensated for each and every completed call. The Federal Communications Commission ("FCC") in *In the Matter of Request to Update Default Compensation Rate for Dial-Around Calls from Payphones*, Report and Order, Adopted July 27, 2004, WC Docket No. 03-225 increased the default rate of payphone compensation for "Dial around" calls set forth in 47 C.F.R. § 64.1300 (c) from \$0.24 per call to \$0.494 per call. Currently, Verizon charges a Payphone Surcharge of \$0.30. This filing seeks to increase Verizon's current Payphone Surcharge from \$0.30 to \$0.50. Because customers may pay more under Verizon's proposal, Commission Staff ("Staff") considers this filing a rate increase. Because Verizon has requested Commission approval to delete the maximum rate for this service, the current rate shall be considered its maximum rate.

Verizon indicated that it is filing this tariff revision to meet the FCC's increased default rate of payphone compensation. Verizon also indicated that it currently charges a Payphone Surcharge of \$0.50 in every state except Alaska.

THE COMMISSION

January 6, 2006

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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 Service Rules, Arizona Administrative Code ("A.A.C.") R14-2-1110 applies to Verizon's proposal. Verizon provided the information required by A.A.C. R14-2-1110 to allow Staff to determine the potential effects of approval of the filing. The information provided indicates that the expected revenue effect of approval of this filing is an increase of less than \$275 in Verizon's annual Arizona revenues.

Verizon indicated that it currently has 4,398 presubscribed lines, representing approximately 3,000 customers in Arizona. Staff has reviewed Verizon's customer notification and concluded that it is consistent with Commission rules.

Verizon also submitted a tariff revision which would increase its current Plan F Service rate from \$5.00 to \$6.00 for 60 minutes. Because Verizon's approved maximum rate for the Plan F service is \$12.00, Staff does not believe this tariff increase requires further Commission approval.

The rates contained in this filing are for services that have been classified as competitive by the Commission and are subject to the Commission's Competitive Telecommunications Service Rules. Under these rules, rates for competitive services are not set according to rate of return regulation. Staff requested information from Verizon regarding its fair value rate base. Verizon indicated that its fair value rate base is zero. However, the rate to be ultimately charged by Verizon will be heavily influenced by the market. Because of the nature of the competitive market and other factors, a fair value analysis is not necessarily representative of the company's operations. Therefore, while Staff considered the fair value rate base information submitted by Verizon, it did not accord that information substantial weight in its analysis of this matter.

Staff recommends approval of this filing.



for Ernest J. Johnson  
Director  
Utilities Division

EGJ:WMS:lm\DR

ORIGINATOR: Wilfred Shand, Jr.

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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 ) DOCKET NO. T-03289A-04-0877  
OF BELL ATLANTIC )  
COMMUNICATIONS, INC. DBA VERIZON ) DECISION NO. \_\_\_\_\_  
LONG DISTANCE TARIFF FILING TO ) ORDER  
REMOVE THE MAXIMUM RATE )  
APPLICABLE TO THE PAY TELEPHONE )  
SURCHARGE; AND TO PROPOSE )  
INCREASE TO MAXIMUM RATES )  
ASSOCIATED WITH VARIOUS SERVICES )

Open Meeting  
January 24 and 25, 2006  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance (“Verizon-LD”) is certified to provide intrastate telecommunications service as a public service corporation in the State of Arizona.

2. On December 9, 2004, Verizon-LD filed tariff revisions to increase its Pay Telephone Service (“Payphone Surcharge”) current rate, delete its Payphone surcharge maximum rate, increase its Long Distance Message Telecommunications Services (“LDMTS”) maximum rate, increase its Plan F Service maximum rate and increase its Plan G Service maximum rate:

Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance

AZ.C.C. Tariff No. 2, Page 1, 57<sup>th</sup>, Revised  
AZ.C.C. Tariff No. 2, Page 14, First Revised  
AZ.C.C. Tariff No. 2, Page 30.1, Third Revised  
AZ.C.C. Tariff No. 2, Page 33.31, Third Revised  
AZ.C.C. Tariff No. 2, Page 34.5, Fifth Revised

1           3.           On February 25, 2005, Verizon-LD submitted an amendment to its requested tariff  
2 revisions. These revisions deleted Verizon-LD's request to increase its LDMTS and Plan G  
3 Service maximum rates. Verizon-LD indicated that it is still requesting the authority to increase its  
4 current Payphone Surcharge current rate, delete the Payphone Surcharge maximum rate and  
5 increase its Plan F Service rates. The Payphone Surcharge is a per call surcharge which customers  
6 pay to ensure that all payphone service providers are fairly compensated for each and every  
7 completed call. The Federal Communications Commission ("FCC") in *In the Matter of Request*  
8 *to Update Default Compensation Rate for Dial-Around Calls from Payphones*, Report and Order,  
9 Adopted July 27, 2004, WC Docket No. 03-225 increased the default rate of payphone  
10 compensation for "Dial around" calls set forth in 47 C.F.R. § 64.1300 (c) from \$0.24 per call to  
11 \$0.494 per call. Currently, Verizon-LD charges Payphone Surcharge of \$0.30. This filing seeks to  
12 increase Verizon-LD's current Payphone Surcharge from \$0.30 to \$0.50. Because customers may  
13 pay more under Verizon-LD's proposal, Commission Staff ("Staff") considers this filing a rate  
14 increase. Because Verizon-LD has requested Commission approval to delete the maximum rate  
15 for this service, its current rate shall be considered its maximum rate.

16           4.           Verizon-LD indicated that it is filing this tariff revision to meet the FCC's increased  
17 default rate of payphone compensation. Verizon-LD also indicated that it currently charges a  
18 Payphone Surcharge of \$0.50 in every state except Alaska.

19           5.           Verizon-LD also submitted a tariff revision which would increase its current Plan F  
20 Service maximum rate from \$5.00 to \$6.00 for 60 minutes. Because Verizon-LD's approved  
21 maximum rate for this service is \$12.00, this price change does not require further Commission  
22 approval.

23           6.           Since this filing increases the maximum rates for a component of a service that has  
24 been classified as competitive under the Commission's Competitive Telecommunications Service  
25 Rules, Arizona Administrative Code Rule ("A.A.C.") R14-2-1110 applies to Verizon-LD's  
26 proposal. Verizon-LD provided the information required by A.A.C. R14-2-1110 to allow Staff to  
27 determine the potential effects of approval of the filing. The information provided indicates that  
28

1 the expected revenue effect of approval of this filing is an increase of less than \$275 in Verizon-  
2 LD's annual Arizona revenues.

3 7. Verizon-LD indicated that it currently has 4,398 presubscribed lines, representing  
4 approximately 3,000 customers in Arizona. Staff has reviewed Verizon-LD's customer  
5 notification and believes that it is consistent with Commission rules.

6 8. The rates contained in this filing are for services that have been classified as  
7 competitive by the Commission and that are now subject to the Commission's Competitive  
8 Telecommunications Service Rules. Under these rules, rates for competitive services are not set  
9 according to rate of return regulation. Staff requested information from Verizon-LD regarding its  
10 fair value rate base. Verizon-LD indicated that its fair value rate base is zero. However, the rate to  
11 be ultimately charged by Verizon-LD will be heavily influenced by the market. Because of the  
12 nature of the competitive market and other factors, a fair value analysis is not necessarily  
13 representative of the company's operations. Therefore, while Staff considered the fair value rate  
14 base information submitted by Verizon-LD, it did not accord that information substantial weight in  
15 its analysis of this matter.

16 9. Staff has recommended approval of this filing.

17 CONCLUSIONS OF LAW

18 1. Verizon-LD is a public service corporation within the meaning of Article XV,  
19 Section 2, of the Arizona Constitution.

20 2. The Commission has jurisdiction over Verizon-LD and over the subject matter of  
21 the Application.

22 3. The Commission, having reviewed Verizon-LD's request and Staff's Memorandum  
23 dated January 6, 2006, concludes that Verizon-LD's request is reasonable, fair and equitable, and  
24 therefore in the public interest.

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ORDER

IT IS THEREFORE ORDERED that Verizon's proposed tariff revisions be and hereby are 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 \_\_\_\_\_, 2006.

\_\_\_\_\_  
BRIAN C. McNEIL  
Executive Director

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:WMS:lh\DR

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SERVICE LIST FOR: Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance  
DOCKET NO. T-03289A-04-0877

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