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OPEN MEETING

410

ORIGINAL

MEMORANDUM

Arizona Corporation Commission

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TO: THE COMMISSION

DOCKETED

2002 JUL 19 P 2:53

FROM: Utilities Division

JUL 19 2002

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: July 18, 2002

DOCKETED BY 

RE: XO ARIZONA, INC. - FILING TO INTRODUCE INCREASES TO CERTAIN
MAXIMUM RATES FOR INTRASTATE LOCAL OPERATOR SERVICES (DOCKET
NO. T-03601A-01-0902)

On November 14, 2001, XO Arizona, Inc. ("XO") filed tariff revisions to increase certain maximum rates for intrastate local operator services.

- Operator Assisted Surcharges, Calling Card, Automated Maximum, increases to \$1.50 from \$1.00 (current rate would be \$1.50)
- Operator Assisted Surcharges, Third Number Billing, Automated Maximum, increases to \$1.50 from \$1.00 (current rate would be \$1.30)
- Operator Assisted Surcharges, Third Number Billing, Live Operator Maximum, increases to \$1.50 from \$1.00 (current rate would be \$1.30)
- Operator Assisted Surcharges, Person to Person, Automated Maximum, increases to \$4.75 from \$4.00 (current rate would be \$4.50)
- Operator Assisted Surcharges, Person to Person, Live Operator Maximum, increases to \$4.75 from \$4.00 (current rate would be \$4.50)
- Operator Assisted Surcharges, Station to Station, Automated Maximum, increases to \$2.50 from \$2.00 (current rate would be \$2.30)
- Operator Assisted Surcharges, Station to Station, Live Operator Maximum, increases to \$2.50 from \$2.00 (current rate would be \$2.30)
- Busy Line Interrupt Maximum increases to \$6.00 from \$4.00 (current rate would be \$6.00)

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 XO's proposal. Staff requested that XO provide the information required by R14-2-1110 to allow it to determine the potential effects of approval of the filing. XO provided information that indicates that the expected revenue effect of approval of this filing is an increase of less than 1 percent in XO's Arizona revenues.

XO provided evidence to Staff that it has provided customer notification in accordance with Commission rules. Staff has reviewed the customer notification provided and does agree that it is consistent with Commission policy.

THE COMMISSION

July 18, 2002

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The rates contained in this filing are for services that have been classified as competitive by the Commission and that 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 has reviewed the rates of comparable services from other telecommunications providers. Staff has concluded that the proposed maximum rates by XO are similar to those of other carriers for comparable services.

Staff obtained information from XO regarding its fair value rate base. The fair value rate base of XO is \$18,070,840. However, the rate to be ultimately charged by XO 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 XO, it did not accord that information substantial weight in its analysis of this matter.

Staff recommends approval of this filing.



Ernest G. Johnson
Director
Utilities Division

EGJ:MGK:rdp/JMA

ORIGINATOR: Marta Kalleberg

BEFORE THE ARIZONA CORPORATION COMMISSION

1 WILLIAM A. MUNDELL
2 Chairman
3 JIM IRVIN
4 Commissioner
5 MARC SPITZER
6 Commissioner

7 IN THE MATTER OF THE APPLICATION OF)
XO ARIZONA, INC., TO INCREASE CERTAIN)
8 MAXIMUM RATES FOR INTRASTATE LOCAL)
9 OPERATOR SERVICES)

DOCKET NO. T-03601A-01-0902
DECISION NO. _____
ORDER

8 Open Meeting
9 August 20 and 21, 2002
10 Phoenix, Arizona

11 BY THE COMMISSION:

12 FINDINGS OF FACT

13 1. XO Arizona, Inc. ("XO") is certified to provide intrastate telecommunications service
14 as a public service corporation in the State of Arizona.

15 2. On November 14, 2001, XO filed tariff revisions to its Arizona Tariff No. 1:

16 Arizona Tariff No. 1

- 17 Check Sheet, Page 1, Release 8
- 18 Check Sheet, Page 3, Release 6
- 19 Check Sheet, Page 3.1, Release 5
- 20 Section 3.10, Page 78, Release 1
- 21 Section X, Page 102, Release 1

22 3. This filing increases certain maximum rates for intrastate local operator services.

- 23 • Operator Assisted Surcharges, Calling Card, Automated Maximum, increases to \$1.50
- 24 from \$1.00 (current rate would be \$1.50)
- 25 • Operator Assisted Surcharges, Third Number Billing, Automated Maximum, increases
- 26 to \$1.50 from \$1.00 (current rate would be \$1.30)
- 27 • Operator Assisted Surcharges, Third Number Billing, Live Operator Maximum,
- 28 increases to \$1.50 from \$1.00 (current rate would be \$1.30)
- Operator Assisted Surcharges, Person to Person, Automated Maximum, increases to \$4.75 from \$4.00 (current rate would be \$4.50)
- Operator Assisted Surcharges, Person to Person, Live Operator Maximum, increases to \$4.75 from \$4.00 (current rate would be \$4.50)
- Operator Assisted Surcharges, Station to Station, Automated Maximum, increases to \$2.50 from \$2.00 (current rate would be \$2.30)
- Operator Assisted Surcharges, Station to Station, Live Operator Maximum, increases to \$2.50 from \$2.00 (current rate would be \$2.30)

- Busy Line Interrupt Maximum increases to \$6.00 from \$4.00 (current rate would be \$6.00)

4. 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 XO's proposal. Staff requested that XO provide the information required by R14-2-1110 to allow it to determine the potential effects of approval of the filing. XO provided information that indicates that the expected revenue effect of approval of this filing is an increase of less than 1 percent in XO's Arizona revenues.

5. XO provided evidence to Staff that it has provided customer notification in accordance with Commission rules. Staff has reviewed the customer notification provided and does agree that it is consistent with Commission policy.

6. The rates contained in this filing are for services that have been classified as competitive by the Commission and that 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 has reviewed the rates of comparable services from other telecommunications providers. Staff has concluded that the proposed maximum rates by XO are similar to those of other carriers for comparable services.

7. Staff obtained information from XO regarding its fair value rate base. The fair value rate base of XO is \$18,070,840. However, the rate to be ultimately charged by XO 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 XO, it did not accord that information substantial weight in its analysis of this matter.

8. Staff recommends approval of this filing.

CONCLUSIONS OF LAW

1. XO is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over XO and over the subject matter of the Application.

1 SERVICE LIST FOR XO ARIZONA, INC.
2 DOCKET NO. T-03601A-01-0902

3 Ms. Collette Marthia
4 Regulatory Assistant
5 XO Arizona, Inc.
6 111 East Broadway, Suite 1000
7 Salt Lake City, Utah 84111

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13 Phoenix, Arizona 85012

14 Mr. Christopher C. Kempley
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19 Mr. Ernest G. Johnson
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21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, Arizona 85007

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Affiliate: Arizona only

XO™ Communications Inc. ("XO") is proposing the following changes to its rates and charges:

XO™ Local Operator Services: Effective December 1, XO™ local operator services will be billed at the following rates: Calling Card/Credit Card Live \$1.50; Calling Card/Credit Card Auto \$1.50; 3rd Number Billed Live \$1.30; 3rd Number Billed Auto \$1.30; Collect Calling live \$3.50; Collect Calling auto \$3.50; Person to Person live \$4.50; Person to Person auto \$4.50; Station to Station live \$2.30; Station to Station auto \$2.30; Verification \$3.00; Interrupt \$6.00. Intrastate LD operator services charges will be changed to the following rates: Calling Card/Credit Card Live \$2.00; Calling Card/Credit Card Auto: \$1.00; 3rd Number Billed Live: \$2.25; 3rd Number Billed Auto: \$2.25; Collect Calling live: \$3.00; Collect Calling auto: \$2.00; Person to Person: \$3.00; Person to Person auto: \$3.00; Station to Station live: \$1.80; Station to Station auto: \$1.80. The rate per minute for operator-completed calls will be \$0.20. These changes would be reflected in your January bill.

These changes will be voted on at a future Open Meeting of the Arizona Corporation Commission (Commission). XO is proposing that these new rates and charges become effective on December 1 2001, however, these changes will not become effective until approved by the Commission. If you have any questions, please contact the XO Customer Service Office at 1-888-575-6398. If you have any further questions or would like know when this change will be on the Commission's open meeting agenda, you may contact the Consumer Services Section of the Commission at 602-542-4251 or 1-800-222-7000.

Effective immediately, Interstate LD operator services charges will be changed to the following rates: Calling Card/Credit Card Live \$3.00; Calling Card/Credit Card Auto: \$2.00; 3rd Number Billed Live: \$4.50; 3rd Number Billed Auto: \$4.50; Collect Calling live: \$4.50; Collect Calling auto: \$3.00; Person to Person: \$6.50; Person to Person auto: \$6.50; Station to Station live: \$1.80; Station to Station auto: \$1.80. The rate per minute for operator-completed calls will be \$0.50. Changes will be reflected in your next bill.

LOCAL SERVICE OVER YOUR DEDICATED LONG DISTANCE TRUNKS

If you are an XO™ Dedicated Long Distance customer or an XO™ Flat Rate Dedicated Long Distance customer, please note that effective immediately, local phone calls carried on XO™ Dedicated Flat Rate Long Distance and XO™ Dedicated Long Distance trunks will be billed at \$0.10 per minute. Current term and volume discounts will be applied to the \$0.10 per minute rate. Changes will be reflected in your next bill. These services should be utilized specifically for long distance traffic for maximum cost savings. Unintentional local phone calls carried on your long distance trunks may be a result of overflow from your local trunks. If you have any billing or service questions, please call 1-888-575-6398.