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OPEN MEETING

ORIGINAL

414

MEMORANDUM

Arizona Corporation Commission

DOCKETED

OCT 04 2002

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2002 OCT -4 P 3:42

AZ CORP COMMISSION  
DOCUMENT CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: October 3, 2002

DOCKETED BY

RE: MCLEODUSA TELECOMMUNICATIONS SERVICES, INC. - FILING TO INCREASE THE MAXIMUM RATE FOR LOCAL AND LONG DISTANCE DIRECT DIAL DIRECTORY ASSISTANCE (DOCKET NO. T-03267A-02-0500)

On July 2, 2002, McLeod Telecommunications Services, Inc. ("McLeod") filed tariff revisions to increase the maximum rate for local and long distance direct dial directory assistance.

On September 20, 2002, McLeod filed an amended tariff page 61, replacing the page 61 filed on July 2, 2002. The maximum rate for local and long distance direct dial directory assistance would increase to \$1.11 from \$1.00. The current rate would be equal to the maximum rate of \$1.11. McLeod stated that it is increasing the maximum rate to more closely mirror Qwest's directory assistance rate.

Since this filing increases the maximum rate 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 McLeod's proposal. Staff directed McLeod to provide the information required by R14-2-1110 to allow it to determine the potential effects of approval of the filing. McLeod provided information that indicates that the expected revenue effect of approval of this filing is an increase of 1 percent in McLeod's Arizona revenues.

McLeod 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 rate contained in this filing is 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 McLeod are similar to those of other carriers for comparable services.

Staff requested information from McLeod regarding its fair value rate base. McLeod notified Staff that its assets are held by its subsidiary, McLeodUSA Network Services, Inc. ("McLeod Network"). Staff obtained information from McLeod Network regarding its fair value rate base. The fair value rate base of McLeod Network is \$23,684,476. However, the rate to be ultimately charged

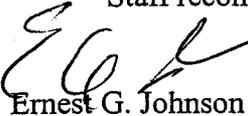
THE COMMISSION

October 3, 2002

Page 2

by McLeod 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 McLeod, 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

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WILLIAM A. MUNDELL  
Chairman  
JIM IRVIN  
Commissioner  
MARC SPITZER  
Commissioner

IN THE MATTER OF THE APPLICATION OF )  
MCLEODUSA TELECOMMUNICATIONS )  
SERVICES, INC. TO INCREASE THE )  
MAXIMUM RATE FOR LOCAL AND LONG )  
DISTANCE DIRECT DIAL DIRECTORY )  
ASSISTANCE )

DOCKET NO. T-03267A-02-0500

DECISION NO. \_\_\_\_\_

ORDER

Open Meeting  
October 29 and 30, 2002  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. McLeodUSA Telecommunications Services, Inc. ("McLeod") is certified to provide intrastate telecommunications service as a public service corporation in the State of Arizona.

2. On July 2, 2002, McLeod filed tariff revisions to its Arizona Tariff No. 2. On September 20, 2002, McLeod filed an amended tariff page 61, replacing the page 61 filed on July 2, 2002. The tariff revisions are listed below:

Arizona Tariff No. 2  
Check Sheet, Page 1, Release 20  
Section 4.4.3, Page 61, Release 2 (filed September 20, 2002)

3. This filing increases the maximum rate for local and long distance direct dial directory assistance.

- Direct Dial Directory Assistance Maximum Rate, increases to \$1.11 from \$1.00 (current rate would be equal to the maximum rate of \$1.11)

4. McLeod stated that it is increasing the maximum rate to more closely mirror Qwest's directory assistance rate.

5. Since this filing increases the maximum rate for a component of a service that has been

1 classified as competitive under the Commission's Competitive Telecommunications Services Rules,  
2 Arizona Administrative Code Rule R14-2-1110 applies to McLeod's proposal. Staff requested that  
3 McLeod provide the information required by R14-2-1110 to allow it to determine the potential effects  
4 of approval of the filing. McLeod provided information that indicates that the expected revenue effect  
5 of approval of this filing is an increase of 1 percent in McLeod's Arizona revenues.

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

9       7. The rate contained in this filing is for services that have been classified as competitive  
10 by the Commission and that are now subject to the Commission's Competitive Telecommunications  
11 Services rules. Under those rules, rates for competitive services are not set according to rate of return  
12 regulation standards. Staff has reviewed the rates of comparable services from other  
13 telecommunications providers. Staff has concluded that the proposed maximum rates by McLeod are  
14 similar to those of other carriers for comparable services.

15       8. Staff requested information from McLeod regarding its fair value rate base. McLeod  
16 notified Staff that its assets are held by its subsidiary, McLeodUSA Network Services, Inc. ("McLeod  
17 Network"). Staff obtained information from McLeod Network regarding its fair value rate base. The  
18 fair value rate base of McLeod Network is \$23,684,476. However, the rate to be ultimately charged by  
19 McLeod will be heavily influenced by the market. Because of the nature of the competitive market and  
20 other factors, a fair value analysis is not necessarily representative of the company's operations.  
21 Therefore, while Staff considered the fair value rate base information submitted by McLeod, it did not  
22 accord that information substantial weight in its analysis of this matter.

23       9. Staff recommends approval of this filing.

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SERVICE LIST FOR MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.

1 DOCKET NO. T-03267A-02-0500

2 Ms. Julia Redman-Carter

3 Manager

McLeodUSA Telecommunications Services, Inc.

4 6400 C Street SW, PO Box 3177

5 Cedar Rapids, Iowa 52406-3177

6 Mr. Christopher C. Kempley

Chief Counsel, Legal Division

7 Arizona Corporation Commission

8 1200 West Washington Street

Phoenix, Arizona 85007

9 Mr. Ernest G. Johnson

10 Director, Utilities Division

Arizona Corporation Commission

11 1200 West Washington Street

12 Phoenix, Arizona 85007

13 Ms. Lyn Farmer

Chief Administrative Law Judge, Hearing Division

14 Arizona Corporation Commission

15 1200 West Washington Street

Phoenix, Arizona 85007

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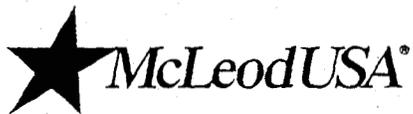
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### *Rate Change*

Due to changing market conditions in Arizona, the rates for Directory Assistance may increase. McLeodUSA is proposing the following changes to its rates and charges:

- a. Local Directory Assistance increase from \$0.47 to \$1.11 per use
- b. National Directory Assistance increase from \$0.85 to \$1.11 per use

These changes may increase your total charges. These changes will be voted on at a future Open Meeting of the Arizona Corporation Commission (Commission). These changes will become effective only upon approval by the Commission. If you have any questions, please contact McLeodUSA at 1-800-593-1177. If you have further questions, you may contact the Consumer Services Section of the Commission at 1-602-542-4251 or 1-800-222-7000, or you may go to its Web site at <http://www.cc.state.az.us>.

T-03267A-02-0500

AFFIDAVIT OF HOLLY HUFF

State of Iowa

County of Linn

I, Holly Huff, being duly sworn on oath, do hereby verify that the attached notice for the proposed Directory Assistance rate increase is being provided to all Arizona customers in the form of a bill insert. The distribution of the bill inserts began on September 4, 2002 and will end on October 2, 2002.

Further Affiant sayeth not.

Holly M. Huff  
(signature)

Subscribed and sworn to before me this 6 day of Sept, 2002.



Diane M. Miller  
Notary Public