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THIS AMENDMENT:

Passed as amended by \_\_\_\_\_

\_\_\_\_ Not Offered

Withdrawn  
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2003 JAN 10 P 1:18

UTILITIES DIVISION PROPOSED AMENDMENT # 1

AZ CORP COMMISSION  
DOCUMENT CONTROL

TIME/DATE PREPARED January 7, 2003, 1:53pm

COMPANY: XO Communications, Inc.

AGENDA ITEM NO. U-2

DOCKET NOS. T-04150A-02-0814, T-03775A-02-0814, and T-03601A-02-0814

OPEN MEETING DATE: January 14 and 15, 2003

Arizona Corporation Commission

**DOCKETED**

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JAN 10 2003

Delete line 25.

DOCKETED BY CAF

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Line 24, insert the following after "reorganization": "and recapitalization subject to the following conditions:

1. Upon request, XO Arizona, Inc. shall provide to the Commission, on a confidential basis, access in the Phoenix metropolitan area to its books and records. XO Communications, Inc. and its subsidiaries shall, upon request, provide to the Commission, on a confidential basis, access to books and records reasonably related to their operations in Arizona, where such documents are maintained.
2. XO Arizona, Inc. shall not allow the reorganization to result in service degradation. The rate of service complaints should not increase, the response time to service complaints should not increase, and service interruptions should not increase as a result of the reorganization. For the first two years from the effective date of this order, XO Arizona, Inc. shall file a quarterly report with the Director of the Utilities Division describing the rate of service complaints.
3. XO Arizona, Inc. shall continue to maintain a fully operational local (Arizona) office so long as it provides facilities-based local exchange service in the state.
4. XO Arizona, Inc. shall refrain from filing any increases in its current rate (price) or maximum rates on file with the Commission for two years from the closing date of the reorganization. In the second year, XO Arizona, Inc. will have authority to file for increases in rates and/or prices based on competitive market conditions or changes.

5. XO shall procure a performance bond equal to \$235,000. The minimum bond amount of \$235,000 should be increased if at any time it would be insufficient to cover prepayments or deposits collected from the customers of XO Arizona, Inc. and XO Long Distance. The bond amount should be increased in increments of \$117,500. This increase should occur when the total amount of advances, deposits and prepayments is within \$23,500 of the bond amount. XO shall file proof of the performance bond in this docket within 60 days of the effective date of a Decision in this matter.
6. Before discontinuing service to a class of customers, XO will file an application to discontinue service with the Commission pursuant to A.A.C. R14-2-1107.
7. XO will notify each of its local exchange customers and the Commission at least 90 days prior to a proposed discontinuance of service due to cessation of operations; and any failure to do so should result in forfeiture of XO's performance bond as well as any other penalties the Commission may by law impose.
8. XO will retain the majority of its current management or similarly qualified management for a minimum of two years from the effective date of a Decision in this matter."

Page 3, beginning on Line 13, insert new Conclusions of Law Nos. 4 and 5 as follows:

4. The Commission has the authority to impose the conditions in Finding of Fact No. 7.
5. It is in the public interest to approve XO's application subject to the conditions in Finding of Fact No. 7.

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Line 3, insert the following after "approved": "subject to the conditions in Finding of Fact No. 7"