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MEMORANDUM

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Arizona Corporation Commission
DOCKETED

AUG 29 2006

DOCKETED BY *NR*

DATE: August 29, 2006

RE: IN THE MATTER OF THE APPLICATION OF THE J. RICHARD COMPANY FOR A CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR ITS FACILITIES-BASED TELECOMMUNICATIONS SERVICES AND A REQUEST FOR REDUCTION IN ITS PERFORMANCE BOND (DOCKET NO. T-04257A-06-0350)

Attached is the Staff Report of the above Application to cancel the Facilities-Based Local Exchange Certificate held by The J. Richard Company d/b/a Live Wire Phone Company and request for Reduction in its Performance Bond. Staff recommends cancellation of the Facilities-Based Local Exchange Certificate and a Reduction in its Performance Bond.

EJG:PJG:tdp

Originator: Pamela J. Genung

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

THE J. RICHARD COMPANY D/B/A LIVE WIRE PHONE COMPANY

DOCKET NO. T-04257A-06-0350

IN THE MATTER OF THE APPLICATION OF THE J. RICHARD COMPANY FOR A
CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR ITS
FACILITIES-BASED TELECOMMUNICATIONS SERVICES AND A REQUEST FOR
REDUCTION IN ITS PERFORMANCE BOND

August 29, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for The J. Richard Company d/b/a Live Wire Phone Company, Docket No. T-04257A-06-0350, was the responsibility of the Staff member listed below. Pamela J. Genung was responsible for the review and analysis of The J. Richard Company d/b/a Live Wire Phone Company application to cancel its Facilities-Based Local Exchange Certificate and for a Reduction in its Performance Bond.

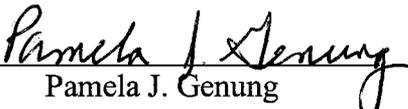

Pamela J. Genung
Public Utilities Analyst IV

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Introduction

On May 30, 2006, the J. Richard Company d/b/a Live Wire Phone Company ("Live Wire") submitted an Application to cancel its Facilities-based Local Exchange Certificate. In the Application, Live Wire has also requested a reduction in its performance bond.

Background

On February 15, 2005, the Commission, in Decision No. 67588, granted Live Wire a Certificate of Convenience and Necessity ("CC&N") to provide resold long distance, resold local exchange and facilities-based local exchange telecommunications services within the State of Arizona. Live Wire was ordered to procure a performance bond equal to \$135,000. The minimum bond amount of \$135,000 is to be increased if at any time it would be insufficient to cover prepayments or deposits collected from Live Wire's customers. In addition Live Wire was ordered to docket proof of the performance bond within 365 days of February 15, 2005 or 30 days prior to the provision of service, whichever came first and the bond is to remain in effect until further Order of the Commission.

Staff's Analysis

In its Application, Live Wire stated that it has changed its business model and now intends to provide only resold local exchange and resold long distance services. In Live Wire's response to Staff's data request, Live Wire has indicated that most of its customers receive resale services. However, some customers are provided service through the use of UNE-P. The remaining UNE-P accounts are in the process of being converted to resale accounts. The conversion should be completed by the end of July 2006. The services and rates to the end-users will remain exactly the same with no interruption or reduction in services. The number of customer accounts affected by this transition is approximately twenty-five out of a total of sixty-five. Live Wire is not abandoning or discontinuing service to its customers. The conversion is an internal change only that will only affect Live Wire's billing with Qwest. For all the reasons mentioned above, in addition to avoiding confusion for the customer, Live Wire has not sent out customer notifications.

Live Wire does not collect deposits from its customers. Live Wire is a prepaid, basic service provider. With a prepaid service, the service is renewed to the customer on a month-to-month basis. By the customer paying their bill prior to their next cycle date their phone service will continue to the following month. Since Live Wire is a small company, funds collected in advance of services would not exceed \$2,000. Live Wire's business allows a customer to cancel at any point during the term of service. If a refund is due, Live Wire will issue a check to the customer for the unused prorated period of service.

Live Wire's customers have the option of continuing their service on a month-to-month basis. There are no long-term service contracts or agreements; therefore, no early termination

fees would apply. Live Wire's customers have the option of switching to an alternate provider at any time.

Since Live Wire is not discontinuing service to its customers, but just simply changing the method it provides service, Live Wire is requesting a waiver of the legal notice requirement of A.A.C. R14-2-1107. Live Wire has indicated in its Application that publication of such a notice will only confuse customers since the transition from UNE-P service to resold service is an internal change that will not affect the customer. Live Wire stated that for these reasons a legal notice has not been published.

Live Wire has also indicated in its Application that it currently holds a performance bond in the amount of \$135,000 as required in Decision No. 67588. Live Wire has requested that the amount of its performance bond be reduced to \$35,000. By eliminating the facilities-based local exchange service certification, the remaining \$35,000 is the amount generally required for providers of resold local exchange and resold long distance telecommunications services.

The Consumer Services Section of the Utilities Division reports that there were zero (0) complaints, inquiries, or opinions against Live Wire from January 1, 2003 through June 6, 2006. In addition, Consumer Services stated that Live Wire is in good standing with the Corporations Division of the Commission. Live Wire's 2005 annual report is currently on file with the Commission.

Recommendations

Staff recommends approval of Live Wire's Application to cancel its facilities-based local exchange certificate. Live Wire is not abandoning or discontinuing service to its customers. It is only changing the method it delivers service to its customers. Customers will not incur any additional costs and there will not be any interruption or reduction in their services.

Staff further recommends a reduction in Live Wire's performance bond from \$135,000 to \$35,000. The remaining \$35,000 performance bond is the amount generally required from a provider of resold local exchange and resold long distance telecommunications services.

Upon cancellation of the facilities-based local exchange certificate, Live Wire will no longer be authorized to provide facilities-based local exchange telecommunications services in Arizona. Other than the reduction in bond amount, all other requirements of Decision No. 67588 should remain in effect.