

ORIGINAL NEW APPLICATION



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T-02428A-06-0784

IN THE MATTER OF THE APPLICATION OF
AT&T COMMUNICATIONS OF THE
MOUNTAIN STATES, INC. TO INCREASE ITS
MAXIMUM RATE FOR PREPAID PHONE
CARD SERVICE

Docket No. T-02428A-06-_____

APPLICATION

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

Pursuant to R14-2-1110, AT&T Communications of the Mountain States, Inc. ("AT&T") submits this Application to increase the maximum tariff rate for a competitive telecommunications service. In particular, AT&T applies to increase one of the maximum rates specified for its Prepaid Phone Card Service.

Background

On September 29, 2006, AT&T filed tariff pages and a price sheet to introduce its Prepaid Phone Card Service. Prepaid Phone Card Service enables a cardholder to purchase a phone card containing a unique Personal Identification Number (PIN) from AT&T directly or from a variety of other retail sources (such as at Wal-Mart or a kiosk at an airport) and use that card to make intrastate, interstate and international calls. The card is preloaded with minutes or units of service in various denominations selected by the retailer. As the card is used to place calls, the corresponding minutes/units are decremented from the card. Once there are no longer any minutes/units available on the card, the card can be discarded or, for certain types of cards, the customer may contact AT&T to have the card recharged with additional minutes/units.

1 November 2, a second filing was made to rename the product from "Prepaid Phone Card
2 Service" to "Prepaid Phone Service" and to clarify certain tariff provisions.⁵

3 Application

4 **I. REASONS FOR RATE INCREASE**

5 In this filing, AT&T seeks to correct an error in the September 29 filing by raising the
6 maximum rate for the SmarTalk prepaid phone cards to be the same maximum rate listed for the
7 AT&T-branded cards. The September 29 filing correctly reflected a maximum rate of 24
8 decrements for AT&T-branded cards; however, the tariff unintentionally reflected a maximum
9 rate of only three decrements for SmartTalk cards. Likewise, the price list reflected eight
10 decrements for AT&T-branded calls, but only one decrement for SmartTalk cards. With this
11 filing, AT&T proposes a uniform maximum rate of 24 decrements and a uniform price of up to
12 five decrements per minute for in-state calls.⁶ It should be stressed, however, that this uniform
13 price for in-state calls is actually a rate decrease (8 decrements to 5 decrements) for AT&T-
14 branded calls.

15 As required by R14-2-1110.B.3, AT&T shall notify its customers of the proposed
16 maximum rate increase consistent with the Commission's requirements. Attached as **Exhibit 1**
17 is the text of the notice that will appear in a newspaper of general circulation throughout the
18 state. An affidavit attesting to publication of the notice will be provided to the Commission once
19 publication occurs. Further, as the new cards are purchased, the in-state decrements rate will be
20

21 _____
⁵ The second filing is currently pending and assigned Docket No. T-02428A-06-0700.

22 ⁶ The "up to" language is necessary because AT&T honors, and will continue to do so, the older AT&T cards that
23 had a one-to-one ratio for minutes and decrements for all in-state calls until the balances on those cards are
exhausted. The "up to" language allows AT&T to provide the service at rates consistent with the tariff.

1 contained on the packaging of the prepaid card at the point of sale. See **Exhibit 2.**⁷ Customers
2 will have access to the information regarding in-state decrements before they recharge their
3 cards.⁸ AT&T will also post in-state decrements rates on its website in the service guides
4 covering prepaid card services. See **Exhibit 3.** Finally, AT&T will continue to honor the
5 decrement rates for older cards purchased until the minutes on such cards are exhausted so that
6 those customers are not charged more than the rates disclosed at the time of purchase.

7 **II. SCHEDULE OF CURRENT AND PROPOSED RATES**

8 As required by R14-2-1110.B.2, the table below sets out the current and proposed
9 maximum rates and prices. As previously noted, while the maximum rate and price are
10 increasing for the SmartTalk cards, the price for AT&T-branded cards is decreasing. AT&T-
11 branded cards are by far the dominant card among these three prepaid card types. Therefore, the
12 total revenue impact associated with these changes will actually be an overall revenue reduction.

13

Plan	Current Maximum Rate	New Maximum Rate	Current Price	New Price
14 AT&T-branded 15 prepaid cards	24 decrements	24 decrements	Up to 8 decrements	Up to 5 decrements
16 SmarTalk cards	3 decrements	24 decrements	1 decrement	Up to 5 decrements

17
18
19

20 ⁷ Exhibit 2 is an example of the prepaid phone card materials that reflects the different rates charged for intrastate calls. The attached is an example for cards sold to military personnel.

21 ⁸ When customers call to have minutes/units added to their prepaid cards (also referred to as being "recharged"), the
22 IVR will advise customers: "AT&T recharge minutes are based on state-to-state calling. AT&T recharge minutes
23 are now subject to higher in-state rates. This means that calls that begin and end in one state may use more minutes
24 per each minute of talk time, and the number of minutes varies by state. For your in-state calling rate, press 9. To
continue to add more minutes using a credit card, press the star key, or to return to the main menu, press 2." If the
customer is calling from Arizona and presses 9, the customer will hear: "Five minutes will be deducted for each
minute of talk time for calls that begin and end within this state."

EXHIBIT 1

PUBLIC NOTICE BY AT&T COMMUNICATIONS OF THE
MOUNTAIN STATES, INC., TO THE CUSTOMERS OF SMARTALK
PREPAID PHONE CARD SERVICE AND PREPAID PHONE CARDS
WHERE SERVICE IS PROVIDED BY CONQUEST

Effective upon Arizona Corporation Commission approval, the maximum tariffed rate for Arizona intrastate calls made using the SmarTalk Prepaid Phone Card and Prepaid Phone Cards where service is provided by ConQuest and its Affiliates will increase from three decrements per minute of talk time to up to twenty-four decrements per minute of talk time. The actual price charged cannot not exceed the maximum tariffed rate; however, it can be less.

For more information, please call the number shown on the Phone Card or visit <http://www.prepayserviceguide.com>. You may also contact the Consumer Services Section of the Arizona Corporation Commission at 602-542-4251 or 1-800-222-7000 or you may go to its website at <http://www.cc.state.az.us>.

EXHIBIT 2

182

State-to-State Minutes
Int'l rates are higher



AT&T Worldwide PrePaid Card

Low Calling Rates the World Over

- Buy it here. Recharge it here.
- Call within the U.S. & around the world.

5.49¢
per minute
for state-to-state
calling

* Rates for in-state calling may be higher. See back for terms and conditions. This Card has no value until activated by a cashier. U.S. Navy Imagery used in illustration without endorsement expressed or implied.



\$10

This Card cannot be used on Navy ships

AT&T Worldwide
PrePaid Card

Add more minutes at register!



064298-V01-8 K



BY USING THIS PREPAID PHONE CARD YOU CONSENT TO THE TERMS, CONDITIONS, RATES & CHARGES BELOW AND IN THE SERVICE GUIDE AT www.att.com/prepaidguide ALSO AVAILABLE FROM CUSTOMER CARE AT 1.877.288-3404. **\$10 value based on rate of \$0.0549/minute of state-to-state calling only. Also, a surcharge not to exceed \$0.72 applies to U.S. pay phone calls,** some of which compensates pay phone providers. One-minute billing increments. Partial minutes used are billed as full minutes. Rates may be higher for calls to/from mobile phones. **For calls that begin and end in the same state, minutes are deducted at these rates per minute of talk time: 1 min (\$0.0549); DC, IL, IN, MA, RI USV; 3 min (\$0.1647); AL, AR, CA, CT, DE, GA, HI, KS, KY, LA, MD, ME, MI, MS, NE, NJ, NV, NY, OH, OR, PR, SC, TN, UT, WI, WV; 5 min (\$0.2745); AK, AZ, CO, FL, IA, ID, MN, MT, NC, NH, OK, PA, TX, VA, VT, WA, WY; 8 min (\$0.4392); MO, ND, NM, SD. Int'l rates are higher than state-to-state rates, vary according to area called & can change.** Call Customer Care for Int'l calling information before leaving the U.S. Recharge minutes may have different rates, surcharges, & terms & conditions & are not refundable. Minutes don't expire. Card can't be used for toll free calls, calls for paid services with premium charges or for operator-handled calls. Directory Assistance rates are higher than state-to-state rates. Service provider makes no warranties and its liability is limited per service guide. Any disputes arising from purchase or use of this Card are settled by arbitration, which doesn't apply to CA residents for disputes arising in CA. Safeguard your Card/PIN. You are responsible for loss or unauthorized use. Card may be terminated without notice if fraud is suspected. Card can't be returned/exchanged unless defective. Direct unresolved complaints to regulatory agency in state where Card was bought. Use of Info to Go incurs add'l charges. Service provided by AT&T Corp. or affiliate; by AT&T Alascom in AK. Service provided where authorized. 17246

U.S. Patent Nos. 5,720,158 and 5,921,584 (LT2)

To Place a Call from WITHIN the U.S.:

1. Dial **1 800 726-7480**. 2 Enter your PIN number.
3. For calls in the U.S., Canada or the Caribbean, dial 1 + area code + number.

PIN:

For other international calls, dial 011 + country code + city code + phone number. To add minutes to your Card, press 3.

For Customer Care: Call 1.877.288-3404, 24 hrs/day, every day. \$10 value based on rate of \$0.0549/minute of state-to-state calling only. Also, a surcharge not to exceed \$0.72 applies to U.S. pay phone calls, some of which compensates pay phone providers. Int'l rates are higher than state-to-state rates, differ according to area called and can change. In state calls and calls made to/from mobile phones may be higher. One-minute billing increments; partial minutes used are charged as full minutes. Minutes do not expire. Card is not returnable or exchangeable unless defective.

11/06
17246

To Place a Call from OUTSIDE the U.S.:

1. Dial the **AT&T USADirect** Service Access Number for the country you are in. (Call Customer Care before leaving the U.S. for access numbers.)

7. Dial 800 726-7480.

- Do not dial "1" before the 800 number.
- Enter your PIN number.
- For calls to the U.S., Canada or the Caribbean, dial 1 + area code + number. For other international calls, dial 011 + country code + city code + phone number.
- To add minutes to your Card, press 3.
- For Customer Care: Dial the **AT&T USADirect** Service Access Number for the country you are in.
- Then dial **877 288-3404**, 24 hours a day, every day.



Service provided by AT&T Corp. or affiliate by AT&T Alascom in AK

EXHIBIT 3

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Products & Services

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Smart and Simple Calling

Whether you're away from home, looking for the right gift or sending kids off to school, AT&T PrePaid Phone Cards keep you connected to the people that matter in your life.

They're also a great way to budget your communication expenses. Simply buy [minutes in advance](#) and use them whenever you want! And when you run out, just [recharge your Card!](#)

With AT&T PrePaid Phone Cards, you'll enjoy [great rates*](#) for calling within the U.S. or from [over 200 countries worldwide!](#)

*** Rates and deductions differ by card type and/or retailer. A surcharge not to exceed 7 minutes applies to U.S. pay phone calls made with AT&T PrePaid Phone Cards purchased on this web site. A portion of this charge compensates pay phone providers. For current pay phone deduction rates on your Card, please check the [Rate Finder](#). Minutes are based on U.S. state-to-state calling. International rates are higher than U.S. domestic state-to-state rates, differ according to destination called and are subject to change. In-state rates and rates for calls made to or from mobile phones may be higher. See complete [Terms and Conditions](#) for details.**

Rate
Finder

AT&T PrePaid Home

AT&T PrePaid Phone Cards

[How They Work](#)
[Rates and Pricing](#)
[Place an Order](#)
[Check Your Card Balance](#)
[Find a Store](#)
[Info To Go](#)
[Frequently Asked Questions](#)

Promote Your Business

Contact AT&T PrePaid

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AT&T PrePaid Phone Cards

AT&T PrePaid Phone Card Terms and Conditions

BY USING THIS PREPAID PHONE CARD YOU CONSENT TO THE TERMS, CONDITIONS, RATES AND CHARGES BELOW AND IN THE SERVICE GUIDE AT www.att.com/prepaidguide; ALSO AVAILABLE FROM CUSTOMER CARE AT 1 800-361-4470.

AT&T PrePaid Home

AT&T PrePaid Phone Cards

[How They Work](#)
[Rates and Pricing](#)
[Place an Order](#)
[Check Your Card Balance](#)
[Find a Store](#)
[Info To Go](#)
[Frequently Asked Questions](#)

Promote Your Business

Contact AT&T PrePaid

A surcharge not to exceed 7 minutes applies to U.S. pay phone calls, a portion of which compensates pay phone providers. Card minute value applies to state-to-state calling only. **For calls that begin and end within the same state, minutes will be deducted at the following rates per minute of talk time: 1 minute: DC, IL, IN, MA, RI, USVI; 3 minutes: AL, CA, CT, DE, GA, HI, KS, KY, LA, MD, ME, MI, MS, NE, NJ, NV, NY, OH, OR, PR, SC, TN, UT, WI, WV; 5 minutes: CO, FL, IA, ID, MN, NC, NH, OK, PA, TX, VA, WA, WY; and 8 minutes: AK, AR, AZ, MO, MT, ND, NM, SD, VT. International rates are higher than state-to-state rates**, differ according to destination called, and are subject to change. Call Customer Care for available countries, access codes, dialing instructions and rates before traveling internationally. Recharge minutes may have different rates, surcharges and terms and conditions and are not refundable. Directory Assistance rates are higher than state-to-state rates. Rates may be higher for calls to/from mobile phones. Use of Info to Go will incur additional minute deductions. Call Customer Care or see service guide for a full list of rates, terms, charges and recharge information. Card cannot be used for toll free calls, calls for paid services with premium charges or for operator assisted calls. One minute billing increments. Partial minutes used billed as full minutes. Minutes do not expire. Service provider makes no warranties. Service provider's liability whether in contract, in tort, in negligence or otherwise shall not exceed an amount equal to the charge for the affected services and IN NO EVENT WILL SERVICE PROVIDER BE LIABLE FOR ANY PUNITIVE, SPECIAL, INDIRECT, RELIANCE, INCIDENTAL OR CONSEQUENTIAL DAMAGES. Any dispute or claim arising out of the purchase or use of this Card shall be settled by arbitration. Arbitration does not apply to CA residents for disputes arising in CA. Safeguard your Card and PIN; you are responsible for any loss or unauthorized use. Card is not returnable or exchangeable unless defective. Unresolved complaints may be directed to the state regulatory agency in the state where Card was purchased. Service provided by AT&T Corp. or affiliate; by AT&T Alascom in AK. Service provided where authorized. See service guide or call Customer Care for details.

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EXHIBIT 4

TFN TRANSMITTAL FORM

Transmission Date: 12/11/96 4:53 PM

TFN #: A200782

Field Version #: 01

Billing Impacted: Yes No
 Filed with Local Commission: Yes No
 IntraLATA: Yes No

Filing Status: PRO - Proposed
 FLD - Filed
 EFF - Effective

Schedule: Filing Date: 12/11/96

Effective Date: 01/01/97

HIGHLIGHT NARRATIVE:

This filing reduces the AT&T Prepaid Phone Card decrements and changes SmarTalk AT&T Prepaid Phone Card and Phone Card where service is provided by ConQuest to match the AT&T Prepaid Phone Card decrements.

ACTIVITY						Regional Service Manager	
SGC CODE	Name	Phone #					
PPC	RTC					Paul Nelson	(415)442-3117

Non-standard billing action requirement(s), i.e., bill messaging, bill inserts.

TFN Administrator: Paul Nelson Tel. No. (415) 442-3117

SECTION 6 - PREPAID PHONE SERVICE (Cont'd)

6.1.1 Rates and Charges

When sold directly by AT&T, price points for AT&T Branded Prepaid Phone Cards are established by AT&T. When sold by retailers, price points for Prepaid Phone Cards are established by the retailer. Prices for cards sold by retailers are prominently displayed on the card or otherwise clearly provided to the customer. Prices for cards sold directly by AT&T are fully disclosed to purchasers prior to and at the time of sale. The price points do not include any sales tax and may not include other fees and charges that may apply to the transaction at point of purchase.

AT&T Branded Prepaid Phone Cards - Minute/Unit based cards are available in various denominations up to 1200 interstate minutes/units per card, or as otherwise specified by AT&T. Dollar based cards are available in various denominations up to \$100.00, or as otherwise specified by AT&T. AT&T Branded Prepaid Cards, as well as recharged minutes or dollar value of service on these cards, will have a maximum per minute interstate price not greater than 25¢ unless purchased from a vending machine or at a terminal or transportation center, in which case the maximum per minute interstate price will not be greater than 99¢. In-state calls made with AT&T Branded Prepaid Phone Cards may be decremented up to a maximum⁽¹⁾ twenty-four minutes/units per minute of talk time. AT&T Branded Prepaid Phone Cards may have an expiration date, as disclosed on the card and/or in the marketing material. AT&T Branded Prepaid Phone Cards may be rechargeable as disclosed on the card and/or in the marketing material. If rechargeable, a recharge convenience fee of up to a maximum of 15% of the recharge amount applies.

SmarTalk Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest - Minute/Unit based cards are available in various denominations up to 1200 interstate minutes/units per card, and Dollar based cards are available in various denominations up to \$100.00, or as otherwise specified. These cards will have a maximum per minute interstate price, exclusive of surcharges, not greater than \$0.25 unless purchased from a vending machine or at a terminal or transportation center, in which case the maximum per minute interstate price, exclusive of surcharges, will not be greater than 99¢. The following charges will be applied against calls made with a PenniesRule! SmarTalk Prepaid Phone Card: a 79¢ first minute surcharge for calls within the U.S., and a weekly fee of 12¢ beginning 7 days after first use. The following charges will be applied against calls made with a Habla a Mexico SmarTalk Prepaid Phone Card: a weekly maintenance fee of 95¢ after the first call is made, a 30% communication fee of the total value of the call, after each call, and calls more than 15 minutes are charged 50¢.

(T)

(R)

(N)

|

(N)

Note 1: See Price List for current rates.

SECTION 6 - PREPAID PHONE SERVICE (Cont'd)

6.1.1 Rates and Charges (Cont'd)

A first minute surcharge of up to \$3.00 will apply to World Touch SmarTalk Prepaid Phone Cards. SmarTalk and Prepaid Phone Cards where service is provided by ConQuest are not rechargeable unless otherwise expressly stated on the card or packaging. If rechargeable, a recharge convenience fee of up to a maximum of 15% of the recharge amount applies. SmarTalk Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest may have an expiration date as disclosed on the card and/or in the marketing material. In-state calls made with cards purchased from a vending machine or at a terminal or transportation center will be decremented one minute/unit for each minute of talk time. All other SmarTalk and Prepaid Phone Cards where service is provided by ConQuest may be decremented up to a maximum^[1] twenty-four minutes/units of talk time for in-state calls.

Directory Assistance is available only through the AT&T Prepaid Phone Service platform and is only available for domestic directory assistance requests. Directory assistance requests will have a maximum^[1] of not greater than 180 minutes/units for Minute/Unit based cards or \$9.00 for dollar based cards per request. An announcement will provide the charge for directory assistance prior to connecting the call.

The U.S. Public Payphone Surcharge applies when a Prepaid Phone Card is used to place a call from a U.S. public or semi-public payphone.

Note 1: See Price List for current rates.

SECTION 6 – PREPAID PHONE SERVICE

6.1.1 Rates and Charges

In-state calls made with AT&T Branded Prepaid Phone Cards-

- decremented up to five minutes/units per minute of talk time (R)

In-state calls made with SmarTalk Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest-

- decremented up to five minutes/units per minute of talk time (I)

Directory assistance requests-

minute/unit based cards not to exceed 40 minutes/units (T)

dollar based cards \$5.00