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TO: Lori Miller
Programs & Projects Specialist
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

FROM: John Bostwick
Administrative Service Officer
Utilities Division

Arizona Corporation Commission
DOCKETED

DATE: February 26, 2007

FEB 26 2007

RE: Qwest Communications Corporation
Docket No. T-02811B-04-0313

Decision No. 68477

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On February 2, 2006, Docket Control received a copy of Qwest Communications Corporation's ("QCC" or "Company") Arizona Tariff No. 3 Release 1 bearing an effective date of February 3, 2007. On February 5, 2007, Staff was requested by the Compliance, Enforcement, and Administrative Section of the Utilities Division of the Arizona Corporation Commission ("Commission") to review the QCC's tariff for compliance purposes, contact the Company to correct any deficiencies, and recommend, if required, that the Company re-file their tariff through Docket Control.

Staff reviewed the effective date of Decision No. 68477 and the effective date of QCC's tariff to be filed with the Commission. Decision No. 68477 has an effective date of February 2, 2006 and QCC filed its tariff within the required timeframe.

The contents of QCC's proposed tariff are addressed in seven Sections consisting of 84 pages. Staff reviewed the seven Sections of the tariff but did not review every numbered item in each Section. Staff is not aware of every numbered item in QCC's tariff that agrees or conflicts with every regulation established in the Arizona Administrative Code ("A.A.C.") rules. Also, Staff is unable to verify that every regulation in each Section of the Articles related to telecommunications in the A.A.C. rules is captured in QCC's proposed tariff.

Staff is aware that QCC has deficiencies in its proposed tariff that need to be corrected for compliance purposes. QCC's tariff lacks accurate information regarding definition(s), deposits, interest on deposits, billing and collection, and late payment penalty.

Definition(s)

In Section 2 under "Definitions", item 2.1, on Page 2 of QCC's tariff, QCC's definition of "Customer" is different from the Commission approved definition of "Customer". The Commission's definition of "Customer" is listed in A.A.C. R14-2-501, item number 9.

Staff recommends that QCC use the same definition for "Customer" as that listed in

A.A.C. R-14-2-501, item number 9. This will help to ensure that terms approved by the Commission are used in a consistent manner by all telecommunications providers in Arizona.

Deposits

In QCC's tariff under Section 2 entitled "Customer Deposits and Advance Payments", item A.1, on page 19, Staff examined the amount of deposit QCC requires from its customers. QCC's tariff states that "Any applicant or customer whose financial responsibility is not established to the satisfaction of the Company may be required to provide a deposit to the Company, pursuant to the provisions in state rules." There is no mention of deposit amounts for residential customers and non-residential customers in QCC's tariff.

According to A.A.C. rule R14-2-503 B. 6. a. and b., the amount of deposits required by the utility shall not exceed two times the residential customer's estimated average monthly bill. For a non-residential customer, deposits shall not exceed 2.5 times that customer's estimated maximum monthly bill.

Staff recommends that QCC revise the language in its tariff to match the language in R14-2-503 B. 6.a. and b. This will help ensure that all residential customers and non-residential customers pay the appropriate amount of deposit required in Arizona.

Interest on Deposits

QCC also states under Section 2 entitled "Customer Deposits and Advance Payments", item A.1, on page 19 of its tariff that "The deposit will bear interest as required by state laws or regulations". Staff was unable to locate in the tariff the amount of interest QCC will pay on customer deposits. Also, Staff was unable to locate that a tariff proceeding approving the interest rate and method of calculation was filed and approved by the Commission.

Rule A.A.C. R14-2-503 B. 3. clearly states that "Deposits shall be interest bearing; the interest rate and method of calculation shall be filed with and approved by the Commission in a tariff proceeding."

Staff recommends that QCC follow the requirements established in A.A.C. R14-2-503 B. 3. regarding the payment of interest on customer deposits. Also, Staff recommends that the amount of interest or interest rate to be paid on deposits should be listed in the tariff. This will help ensure all customer deposits are treated in a fair and equitable manner in Arizona.

Billing and Collection

Staff was not able to locate billing and collection procedures in QCC's tariff. According to A.C.C. R14-2-508, Billing and Collection, more specifically R14-2-508 C., entitled "Billing terms", each utility shall file a tariff which incorporates certain billing procedures. The billing

procedures are numbered 1 through 4 within this Section of the Commission rules.

Staff recommends that QCC revise its tariff to include these billing terms and procedures. This will help to ensure that all customers in Arizona are treated with fair and consistent billing terms and procedures.

Late Payment Penalty

According to QCC's tariff in Section 2 "Payments of Bills", item C.1, on page 18 "A late payment charge at the rate of 1.5% per month (unless a lower rate is prescribed by law, in which event at the highest rate allowed by law), may accrue upon any unpaid amount commencing five days after the date the payment is past due." This late payment charge or penalty statement does not agree with the language approved by the Commission in A.A.C. R14-2-508 G. 2. and 3.

Staff recommends that QCC revise its tariff to reflect the Commission approved language for late payment penalty. This will help to ensure that charges and terms for late payments are properly listed on a customer's bill and computed in a consistent and uniform manner.

Recommendation(s)

Staff forwarded an e-mailed copy of this memorandum to Mr. John Scott, Regulatory Support, at Qwest to inform him of the revisions that need to be made to QCC's tariff. Staff recommends that QCC adopt Staff's recommended tariff changes, revise its tariff and file its revised tariff (Original and thirteen (13) copies) with Docket Control as a tariff compliance item at the Commission. Any questions regarding Staff's recommended revisions to this tariff may be directed to me at (602)-542-0856.