

**ORIGINAL  
OPEN MEETING**



410

**MEMORANDUM**

2007 FEB 27 A 11: 48

TO: THE COMMISSION

FROM: Utilities Division

AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: February 27, 2007

RE: IN THE MATTER OF THE APPLICATION OF MCLEODUSA TELECOMMUNICATIONS SERVICES, INC. TARIFF FILING TO INCREASE THE TANDEM SWITCHED FACILITY RATE AND THE RETURNED CHECK CHARGE TO ABOVE THE CURRENT MAXIMUM, AND INCREASE THE MAXIMUM RATE (DOCKET NO. T-03267A-06-0512)

On August 10, 2006, McLeodUSA Telecommunications Services, Inc. ("McLeodUSA" or "Company") filed revisions to its Arizona Access Tariff No. 4. In this filing, McLeodUSA is seeking current and maximum rate increases for its Tandem Switched Facility and Returned Check charges. The proposed changes only apply to telecommunications carriers. On February 7, 2007, McLeodUSA submitted amended tariff pages following telephone and email communications with Staff.

The Tandem Switched Facility charge is the rate assessed for the communications path between the McLeodUSA switching office and a switching office of another carrier wherein the call is either transferred to or from the McLeodUSA network. McLeodUSA proposes to increase the maximum Tandem Switched Facility charge from \$0.00059 per minute/per mile to \$0.00300 per minute/per mile. The rate actually assessed would increase from \$0.00030 per minute/per mile to \$0.00190 per minute/per mile. McLeodUSA estimates that less than 50 customers may be impacted by the proposed increases. The proposed increases are expected to generate revenues well below 1 percent of McLeodUSA's total Arizona revenues.

The Returned Check charge, also commonly known as the Non-Sufficient Fund ("NSF") charge, is the rate assessed for each check submitted by a carrier to the Company which a financial institution refuses to honor. The current rate proposed is increasing from \$15.00 to \$50.00. The maximum rate proposed is increased from \$50.00 to \$55.00. No carriers were assessed NSF charges in 2006. The proposed increases are not expected to generate any revenue for McLeodUSA.

Customers impacted by the proposed increase have been notified that the proposed price changes will go into effect only upon approval by the Commission. An Affidavit of Notification associated with the customer notice has been provided to Staff.

THE COMMISSION

February 27, 2007

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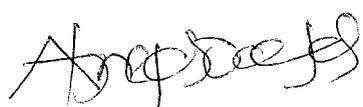
Since this filing increases the maximum rate for a component of a service that has been classified as competitive under the Commission's Competitive Telecommunications Services Rules, Arizona Administrative Code R14-2-1110 applies to McLeodUSA's proposed tariff changes. Staff requested information from McLeodUSA to allow it to determine the potential effects of approval of the filing.

McLeodUSA provided evidence to Staff that it has provided customer notification in accordance with Commission rules. Staff has reviewed the customer notification provided and has concluded that it is consistent with Commission rules.

The rates contained in this filing are for services that have been classified as competitive by the Commission and 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 obtained information regarding McLeodUSA's fair value rate base. 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 of McLeodUSA, it did not accord that information substantial weight in its analysis of this matter.

Staff recommends approval of this filing.

for

  
Ernest G. Johnson  
Director  
Utilities Division

EGJ:AFF:lhmvJMA

ORIGINATOR: Armando Fimbres

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner  
GARY PIERCE  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF MCLEODUSA TELECOM- )  
MUNICATIONS SERVICES, INC. TARIFF )  
FILING TO INCREASE THE TANDEM )  
SWITCHED FACILITY RATE AND THE )  
RETURNED CHECK CHARGE TO ABOVE )  
THE CURRENT MAXIMUM, AND )  
INCREASE THE MAXIMUM RATE )

DOCKET NO. T-03267A-06-0512  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
March 13 and 14, 2007  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. McLeodUSA Telecommunications Inc. ("McLeodUSA") is certificated to provide intrastate telecommunications service as a public service corporation in the State of Arizona.
2. On August 10, 2006, McLeodUSA filed revisions to its Access Service Tariff. In this filing, McLeodUSA is seeking current and maximum rate increases for its Tandem Switched Facility and Returned Check charges. The proposed changes only apply to telecommunications carriers.
3. On February 7, 2007, McLeodUSA submitted amended tariff pages:

ACCESS SERVICE

Arizona Access Tariff No. 4, Sheet No. 1, First Revised  
Arizona Access Tariff No. 4, Sheet No. 29, First Revised  
Arizona Access Tariff No. 4, Sheet No. 30, First Revised  
Arizona Access Tariff No. 4, Sheet No. 71, Original

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1           4.       The Tandem Switched Facility charge is the rate assessed for the communications  
2 path between the McLeodUSA switching office and a switching office of another carrier wherein  
3 the call is either transferred to or from the McLeodUSA network. McLeodUSA proposes to  
4 increase the maximum Tandem Switched Facility charge from \$0.00059 per minute/per mile to  
5 \$0.00300 per minute/per mile. The rate actually assessed would increase from \$0.00030 per  
6 minute/per mile to \$0.00190 per minute/per mile. McLeodUSA estimates that less than 50  
7 customers may be impacted by the proposed increases. The proposed increases are expected to  
8 generate revenues well below 1 percent of McLeodUSA's total Arizona revenues.

9           5.       The Returned Check charge, also commonly known as the Non-Sufficient Fund  
10 ("NSF") charge, is the rate assessed for each check submitted by a carrier to the Company which a  
11 financial institution refuses to honor. The current rate proposed is increasing from \$15.00 to  
12 \$50.00. The maximum rate proposed is increased from \$50.00 to \$55.00. No carriers were  
13 assessed NSF charges in 2006. The proposed increases are not expected to generate any revenue  
14 for McLeodUSA.

15           6.       Customers impacted by the proposed increase have been notified that the proposed  
16 price changes will go into effect only upon approval by the Commission. An Affidavit of  
17 Notification associated with the customer notice has been provided to Staff.

18           7.       Since this filing increases the maximum rate for a component of a service that has  
19 been classified as competitive under the Commission's Competitive Telecommunications Services  
20 Rules, Arizona Administrative Code R14-2-1110 applies to McLeodUSA's proposed tariff  
21 changes. Staff requested information from McLeodUSA to allow it to determine the potential  
22 effects of approval of the filing.

23           8.       McLeodUSA provided evidence to Staff that it has provided customer notification  
24 in accordance with Commission rules. Staff has reviewed the customer notification provided and  
25 does agree that it is consistent with Commission rules.

26           9.       The rates contained in this filing are for services that have been classified as  
27 competitive by the Commission and are now subject to the Commission's Competitive  
28 Telecommunications services rules. Under those rules, rates for competitive services are not set

1 according to rate of return regulation standards. Staff obtained information regarding  
2 McLeodUSA's fair value rate base. Because of the nature of the competitive market and other  
3 factors, a fair value analysis is not necessarily representative of the company's operations.  
4 Therefore, while Staff considered the fair value rate base information of McLeodUSA, it did not  
5 accord that information substantial weight in its analysis of this matter.

6 10. Staff has recommended approval of this filing.

7 CONCLUSIONS OF LAW

8 1. McLeodUSA Telecommunications Inc. ("McLeodUSA") is an Arizona public  
9 service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

10 2. The Commission has jurisdiction over McLeodUSA and over the subject matter of  
11 the Application.

12 3. The Commission, having reviewed the tariff pages (copies of which are contained in  
13 the Commission's tariff files) and Staff's Memorandum dated February 27, 2007 includes the tariff,  
14 as amended, is reasonable, fair and equitable, and is therefore in the public interest.

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ORDER

IT IS THEREFORE ORDERED that the tariff filing, as amended, be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
BRIAN C. McNEIL  
Executive Director

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:AFF:lhmvJMA

1 SERVICE LIST FOR: McLeodUSA Telecommunications Inc.  
2 Docket No. T-03267A-06-0512

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