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

ARIZONA CORPORATION COMMISSION

22

DATE: JUNE 6, 2007

DOCKET NO: T-20463A-06-0394

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc Stern. The recommendation has been filed in the form of an Order on:

INTEGRATED SERVICES, INC.
(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JUNE 7, 2007

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

JUNE 26, 2007, AND JUNE 27, 2007

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

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BRIAN C. McNEIL
EXECUTIVE DIRECTOR

Arizona Corporation Commission
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON, Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 IN THE MATTER OF THE APPLICATION OF
9 INTEGRATED SERVICES, INC. FOR A
10 CERTIFICATE OF CONVENIENCE AND
11 NECESSITY TO PROVIDE COMPETITIVE
12 RESOLD INTEREXCHANGE
13 TELECOMMUNICATIONS SERVICES, EXCEPT
14 LOCAL EXCHANGE SERVICES.

DOCKET NO. T-20463A-06-0394

DECISION NO. _____

ORDER

15 Open Meeting
16 June 26 and 27, 2007
17 Phoenix, Arizona

18 **BY THE COMMISSION:**

19 Having considered the entire record herein and being fully advised in the premises, the
20 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

21 FINDINGS OF FACT

22 1. On June 12, 2006, Integrated Services, Inc. ("ISI" or "Applicant") filed with the
23 Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide
24 competitive resold interexchange telecommunications services, except local exchange services,
25 within the State of Arizona.

26 2. Applicant is a switchless reseller that purchases telecommunications services from a
27 variety of carriers for resale to its customers.

28 3. In Decision No. 58926 (December 22, 1994), the Commission found that resold
telecommunications providers ("resellers") are public service corporations subject to the jurisdiction
of the Commission.

4. ISI has authority to transact business in the State of Arizona.

5. On October 19, 2006, Applicant filed an Affidavit of Publication indicating
compliance with the Commission's notice requirements.

6. On May 25, 2007, the Commission's Utilities Division Staff ("Staff") filed an

1 Amended Staff Report which includes Staff's fair value rate base determination in this matter and
2 recommends approval of the application subject to certain conditions.

3 7. In the Staff Report, Staff stated that ISI provided unaudited financial statements for
4 the three months ending March 31, 2006, which list assets of \$62,133, equity of \$60,819 and a net
5 loss of \$39,181.

6 8. In its Staff Report, Staff stated that based on information obtained from the Applicant,
7 it has determined that ISI's fair value rate base ("FVRB") is zero and is not useful in a fair value
8 analysis, and is not useful in setting rates. Staff further stated that in general, rates for competitive
9 services are not set according to rate of return regulation. Staff has reviewed the rates to be charged
10 by the Applicant and believes they are just and reasonable as they are comparable to several long
11 distance carriers operating in Arizona and comparable to the rates the Applicant charges in other
12 jurisdictions. Therefore, while Staff considered the FVRB information submitted by the Applicant,
13 the FVRB information provided should not be given substantial weight in this analysis.

14 9. Staff believes that ISI has no market power and that the reasonableness of its rates will
15 be evaluated in a market with numerous competitors. In light of the competitive market in which the
16 Applicant will be providing its services, Staff believes that the rates in Applicant's proposed tariffs
17 for its competitive services will be just and reasonable, and recommends that the Commission
18 approve them.

19 10. Staff recommends approval of ISI's application subject to the following:

20 (a) The Applicant should be ordered to comply with all Commission rules, orders,
21 and other requirements relevant to the provision of intrastate telecommunications
22 service;

23 (b) The Applicant should be ordered to maintain its accounts and records as
24 required by the Commission;

25 (c) The Applicant should be ordered to file with the Commission all financial and
26 other reports that the Commission may require, and in a form and at such times as the
27 Commission may designate; The Applicant should be ordered to maintain on file with
28 the Commission all current tariffs and rates, and any service standards that the
Commission may require;

(d) The Applicant should be ordered to comply with the Commission's rules and

1 modify its tariffs to conform to these rules if it is determined that there is a conflict
2 between the Applicant's tariffs and the Commission's rules;

3 (e) The Applicant should be ordered to cooperate with Commission investigations
4 including, but not limited to customer complaints;

5 (f) The Applicant should be ordered to participate in and contribute to the Arizona
6 Universal Service Fund, as required by the Commission;

7 (g) The Applicant should be ordered to notify the Commission immediately upon
8 changes to the Applicant's name, address or telephone number;

9 (h) If at some future date, the Applicant wants to collect from its resold
10 interexchange customers an advance, deposit and/or prepayment, Staff recommends
11 that the Applicant be required to file an application with the Commission for
12 Commission approval. Such application must reference the Decision in this docket
13 and must explain the Applicant's plans for procuring a performance bond or an
14 irrevocable sight draft letter of credit;

15 (i) The Applicant's interexchange service offerings should be classified as
16 competitive pursuant to A.A.C. R14-2-1108;

17 (j) The Applicant's maximum rates should be the maximum rates proposed by the
18 Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive
19 services should be the Applicant's total service long run incremental costs of
20 providing those services as set forth in A.A.C. R14-2-1109;

21 (k) In the event that the Applicant states only one rate in its proposed tariff for a
22 competitive service, the rate stated should be the effective (actual) price to be charged
23 for the service as well as the service's maximum rate;

24 (l) If the Applicant desires to provide other telecommunications services other
25 than resold interexchange services, Staff recommends that the Applicant file an
26 application with the Commission and affirm that the Applicant's customers will be
27 able to access alternative interexchange service providers to resellers; and

28 (m) In the event the Applicant requests to discontinue and/or abandon its service
area it must provide notice to both the Commission and its customers. Such notice(s)
shall be in accordance with A.A.C. R14-2-1107.¹

11. Staff further recommends that ISI's Certificate should be conditioned upon the
Applicant filing conforming tariffs in accordance with this Decision within 365 days from the date of
an Order in this matter, or 30 days prior to providing service, whichever comes first.

¹ Pursuant to A.A.C. R14-2-1107, the Applicant is required to comply and obtain Commission authorization of
compliance with all of the requirements, including but not limited to the notice requirements, prior to discontinuance of
service and/or abandonment of its service area.

1 IT IS FURTHER ORDERED that Staff's recommendations set forth in Findings of Fact Nos.
2 8, 9, 10, 11, and 12 above are hereby adopted.

3 IT IS FURTHER ORDERED that Integrated Services, Inc. shall comply with the adopted
4 Staff recommendations as set forth in Findings of Fact Nos. 10 and 11 above.

5 IT IS FURTHER ORDERED that if Integrated Services, Inc. fails to meet the timeframes
6 outlined in Findings of Fact. No. 11 above, the Certificate conditionally granted herein shall become
7 null and void after due process.

8 IT IS FURTHER ORDERED that Integrated Services, Inc. shall not require its Arizona
9 customers to pay advances, prepayments or deposits for any of its products or services.

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

11 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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14 CHAIRMAN

COMMISSIONER

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16 COMMISSIONER

COMMISSIONER

COMMISSIONER

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18 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
19 Director of the Arizona Corporation Commission, have
20 hereunto set my hand and caused the official seal of the
21 Commission to be affixed at the Capitol, in the City of Phoenix,
22 this ____ day of _____, 2007.

23 _____
BRIAN C. McNEIL
EXECUTIVE DIRECTOR

24 DISSENT _____

25
26 DISSENT _____

MES:db

1 SERVICE LIST FOR: INTEGRATED SERVICES, INC.

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3 DOCKET NO.: T-20463A-06-0394

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