

**ORIGINAL**  
**COMMISSIONERS**  
BOB STUMP - Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

# OPEN MEETING ITEM



ARIZONA CORPORATION COMMISSION



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ARIZONA CORP COMMISSION  
DOCKET CONTROL

DATE: FEBRUARY 25, 2013

DOCKET NO.: T-20832A-12-0014

TO ALL PARTIES:

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

1 800 COLLECT, INC.  
(CC&N/AOS)

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 thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

MARCH 6, 2013

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 Open Meeting to be held on:

MARCH 12, 2013 AND MARCH 13, 2013

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission

**DOCKETED**

FEB 25 2013



*Jodi A. Jerich*  
JODI JERICH  
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347  
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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail [SABernal@azcc.gov](mailto:SABernal@azcc.gov).

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

BOB STUMP – Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF  
1 800 COLLECT, INC. FOR APPROVAL OF A  
CERTIFICATE OF CONVENIENCE AND  
NECESSITY TO PROVIDE ALTERNATIVE  
OPERATOR SERVICES IN ARIZONA.

DOCKET NO. T-20832A-12-0014

DECISION NO. \_\_\_\_\_

ORDER

Open Meeting  
March 12 and 13, 2013  
Phoenix, Arizona

**BY THE COMMISSION:**

On January 12, 2012, 1 800 Collect, Inc. (“Applicant” or “1 800”) submitted to the Arizona Corporation Commission (“Commission”) an application for a Certificate of Convenience and Necessity (“CC&N”) to provide Alternative Operator Services (“AOS”) telecommunication services in Arizona. The Applicant petitioned the Commission for a determination that its proposed services should be classified as competitive.

On May 24, 2012, the Applicant docketed responses to the Commission’s Utilities Division (“Staff”) First Set of Electronic Data Requests.

On July 5, 2012, the Applicant docketed responses to Staff’s Second Set of Data Requests.

On July 12, 2012, the Applicant filed an Affidavit of Publication showing that notice of its application had been published in the *Arizona Republic*, a newspaper of general circulation in the State of Arizona on July 9, 2012.

On November 19, 2012, Staff filed a Staff Report recommending approval of the Applicant’s application with conditions.

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the

1 Commission finds, concludes, and orders that:

2 **FINDINGS OF FACT**

- 3 1. 1 800 is a foreign S corporation organized under the laws of Florida.<sup>1</sup>
- 4 2. On January 12, 2012, 1 800 Collect, Inc. filed an application with the Commission
- 5 requesting authority for a CC&N to provide AOS in Arizona.
- 6 3. Notice of the application was given in accordance with the law.
- 7 4. Staff recommends approval of the 1 800's application for a CC&N to provide AOS
- 8 subject to the following conditions:
  - 9 a. 1 800 comply with all Commission Rules, Orders and other requirements
  - 10 relevant to the provision of intrastate telecommunication services;
  - 11 b. 1 800 maintain its accounts and records as required by the Commission;
  - 12 c. 1 800 file with the Commission all financial and other reports that the
  - 13 Commission may require, and in a form and at such times as the Commission
  - 14 may designate;
  - 15 d. 1 800 maintain on file with the Commission all current tariffs and rates, and
  - 16 any service standards the Commission may require;
  - 17 e. 1 800 comply with the Commission's rules and modify its tariffs to conform to
  - 18 these rules if it is determined that there is a conflict between the Applicant's
  - 19 tariffs and the Commission's rules;
  - 20 f. 1 800 be required to notify the Commission immediately upon changes to its
  - 21 name, address, or telephone number;
  - 22 g. 1 800 cooperate with Commission investigations including, but not limited to
  - 23 customer complaints;
  - 24 h. The maximum rates for these services should be the maximum rates proposed
  - 25 by the Applicant in its proposed tariffs. The minimum rates for the
  - 26 Applicant's competitive services should be the Applicant's total service long
  - 27 run incremental costs of providing those services as set forth in A.A.C. R14-2-
  - 28 1109;
  - i. The rates proposed by this filing are for competitive services. In general, rates
  - for competitive services are not set according to rate of return regulation. Staff
  - obtained information from the Company and has determined that its fair value
  - rate base is zero. Accordingly, 1 800's fair value rate base is too small to be
  - useful in a fair value analysis. In addition, the rate to be ultimately charged by
  - the Applicant will be heavily influenced by the market. Therefore, while Staff
  - considered the fair value rate base information submitted by 1 800, the fair
  - value information provided was not given substantial weight in their analysis;

<sup>1</sup> Application at Attachment A.

- 1           j.       The Commission authorize 1 800 to discount its rates and service charges to  
2           the marginal cost of providing the services;
- 3           k.       That 1 800 submit its tariff indicating that it does not collect advances, deposits  
4           and/or prepayments;
- 5           l.       1 800's interLATA rates and service charges for AOS services should be based  
6           on the maximum rates and service charges as set forth in Schedule 1;
- 7           m.       1 800's interLATA rates and service charges for AOS services should be based  
8           on the maximum rates and service charges as set forth in Schedule 2; and
- 9           n.       1 800's property surcharge for AOS services be limited to \$1.00 per call.

10           5.       Staff further recommends the Applicant comply with the following conditions within  
11           the timeframes outlined or 1 800's CC&N should be considered null and void, after due process.

- 12           a.       That 1 800 docket conforming tariffs for the proposed services described in its  
13           application within 365 days of a Decision in this matter or 30 days prior to  
14           providing service, whichever comes first. The tariffs submitted shall coincide  
15           with the application and state that the Applicant does not collect advances,  
16           deposits and/or prepayments from its customers.

17           6.       1 800 is authorized to provide services similar to those proposed in this application in  
18           thirteen states/jurisdictions.<sup>2</sup>

19           7.       Staff verified with seven of the 13 state/jurisdictions that 1 800 is authorized to  
20           provide AOS telecommunication services.<sup>3</sup> Staff's review indicates that no consumer complaints  
21           have been filed against 1 800.<sup>4</sup>

22           8.       1 800 docketed responses to Staff's Data Requests indicating that three members of its  
23           senior management team have a combined total of over forty years of experience in the  
24           telecommunications industry.<sup>5</sup>

25           9.       Based on the above information, Staff concludes that 1 800 has the technical  
26           capabilities to provide the services it is requesting in its application.<sup>6</sup>

27           10.      1 800 provided unaudited financial statements of Faircall, Inc. (now known as 1 800  
28           Collect, Inc.)<sup>7</sup> for the fiscal years ending January 31, 2012 and January 31, 2011. As of January 31,

<sup>2</sup> Application at A-18.

<sup>3</sup> Staff Report at 1.

<sup>4</sup> Id.

<sup>5</sup> Applicant Data Response docketed May 24, 2012.

<sup>6</sup> Staff Report at 1.

<sup>7</sup> Staff Report at 2.

1 2011, 1 800 listed its total assets at \$2,285,403; total equity of \$2,211,665; and a net income of  
2 \$685,212.<sup>8</sup>

3 11. The Company provided unaudited financial statements of 1 800 Collect, Inc. for its  
4 most recent fiscal year which ended January 31, 2012, with total assets of \$525,253; total equity of  
5 \$461,775; and net income of \$238,629.<sup>9</sup>

6 12. 1 800's proposed tariffs and application states it will not require deposits or advanced  
7 payments from its customers in Arizona.<sup>10</sup> The Commission's policy is that only resellers who  
8 require deposits or advance payments should post a performance bond or irrevocable sight draft letter  
9 of credit to protect customers' prepayments. Under the Commission's policy, there is no  
10 performance bond requirement because 1 800 will not collect deposits or advance payments.

11 13. 1 800 indicated that none of its officers, directors or partners have been convicted of  
12 any criminal acts in the past ten years. The Applicant also indicated that none of its officers,  
13 directors, or partners have been involved in any civil or criminal investigations, or any informal  
14 complaints.<sup>11</sup>

15 **Rates and Charges**

16 14. Based on the information obtained from 1 800, Staff determined that 1 800's fair value  
17 rate base ("FVRB") is zero and is too small to be useful in a fair value analysis, and is not useful in  
18 setting rates.<sup>12</sup> Staff further stated that in general, rates for competitive services are not set according to  
19 a rate of return regulation, but are heavily influenced by the market.<sup>13</sup> Staff recommended that while it  
20 considered the fair value rate base information, it did not give the information substantial weight in  
21 setting the rates for 1 800.<sup>14</sup>

22 15. The Commission adopted maximum rates for AOS providers in Decision No. 61274  
23 (December 14, 1998).

24

25 <sup>8</sup> Application at Attachment D.

26 <sup>9</sup> Applicant Data Response docketed July 26, 2012.

27 <sup>10</sup> Application at Attachment B.

28 <sup>11</sup> Application at A-11.

<sup>12</sup> Staff Report at 3.

<sup>13</sup> Id.

<sup>14</sup> Id.

1           16. Staff reviewed the rates for five major toll carriers<sup>15</sup> (“rate group”) to establish the  
 2 maximum AOS rates, service charges, and operator dialed surcharges, which are reflected in Schedules  
 3 1 and Schedule 2 attached hereto. Staff states that if any of the carriers forming the rate group obtains  
 4 higher rates, 1 800 should be authorized to allow its rates to float in accordance with the carriers’  
 5 revised higher rates, so long as 1 800 meets the requirements as set forth in A.A.C. R14-2-1110.<sup>16</sup>

6           17. Staff recommends that 1 800 be allowed to discount its rates and service charges to the  
 7 marginal cost of providing the services.<sup>17</sup> Staff states that the authority to discount rates and service  
 8 charges will provide 1 800 with the pricing flexibility it needs to compete with other providers and to  
 9 be able to obtain new end-users.<sup>18</sup>

10           18. For interLATA and intraLATA toll charges, Staff recommends that 1 800’s rates and  
 11 charges be based on the maximum rates and charges authorized for certain interexchange carriers  
 12 (“IXCs”) and various facilities-based carriers providing intraLATA toll services, which are reflected in  
 13 Staff’s Schedules 1 and 2 respectively, attached herein and incorporated by reference.<sup>19</sup>

14           19. According to Staff, an operator-dialed surcharge is imposed when an end user has the  
 15 capability to dial the call, but requests that the operator dial and make the call.<sup>20</sup> Staff states a property  
 16 surcharge is a per call bonus paid to the aggregator by the AOS provider and that in previous Decisions  
 17 the Commission has approved both operator-dialed<sup>21</sup> and property (location-specific or subscriber)  
 18 surcharges.<sup>22</sup> Staff recommends that the property surcharge for 1 800 be limited to \$1.00 per call.

19           20. The Commission adopted A.A.C. R14-2-1006.A, which requires an AOS provider to  
 20 immediately route all zero-minus calls to the originating local exchange carrier (“LEC”). Pursuant to  
 21 A.A.C. R14-2-1006.B, however, an AOS provider may obtain a waiver of this requirement if the AOS  
 22

23 <sup>15</sup> AT&T Communications of the Mountain States, Inc.; MCI Telecommunications Corporation; Sprint Communications  
 24 Company; Allnet Communications Services, Inc.; and QWEST Communications (f/k/a USWC, now d/b/a “Century  
 Link”).

25 <sup>16</sup> A.A.C. R14-2-1110 allows an AOS provider to float its rates as long as the provider files: 1) an estimate of the value of  
 its plant to serve Arizona customers in order to determine fair value; 2) a tariff setting forth the new maximum rates (rates  
 cannot exceed the maximum rate of the rate group); and 3) all information required under rule.

26 <sup>17</sup> Staff Report at 3.

27 <sup>18</sup> Id.

28 <sup>19</sup> Staff Report at 4.

<sup>20</sup> Id.

<sup>21</sup> Id.

<sup>22</sup> Id.

1 provider is able to clearly and convincingly demonstrate that it has the capability to process its zero-  
 2 minus calls with equal quickness and accuracy as provided by the LEC. Staff states that 1 800 did not  
 3 request a waiver.

4 21. Staff indicates that the proposed tariffs provided by 1 800 for rates and charges for  
 5 interLATA and intraLATA services are identical to or less than the rates and service charges contained  
 6 in Schedules 1 and 2, and therefore Staff believes 1 800's proposed tariffs are reasonable and should be  
 7 approved.<sup>23</sup>

### 8 Complaint Information

9 22. 1 800 is authorized to provide AOS telecommunications services in thirteen  
 10 states/jurisdictions.<sup>24</sup>

11 23. Staff contacted seven Public Utility Commissions in the states/jurisdictions 1 800  
 12 indicated that it is authorized to provide AOS telecommunications services and Staff reported that no  
 13 consumer complaints have been filed against the Applicant in the reporting states/jurisdictions.<sup>25</sup>

14 24. Staff's recommendations, as set forth herein, are reasonable and should be adopted.

### 15 CONCLUSIONS OF LAW

16 1. 1 800 is a public service corporation within the meaning of Article XV of the Arizona  
 17 Constitution, A.R.S. §§ 40-281 and 40-282.

18 2. The Commission has jurisdiction over 1 800 and the subject matter of the application.

19 3. Notice of the application was given in accordance with the law.

20 4. A.R.S. § 40-282 allows a telecommunications company to file an application for a  
 21 CC&N to provide competitive telecommunication services.

22 5. Pursuant to Article XV of the Arizona Constitution, as well as the Arizona Revised  
 23 Statutes, it is in the public interest for 1 800 to provide the AOS telecommunication services set forth  
 24 in its application.

25 6. 1 800 is a fit and proper entity to receive a CC&N authorizing it to provide AOS in  
 26

27 <sup>23</sup> Staff Report at 5.

28 <sup>24</sup> Florida, District of Columbia, Idaho, Iowa, Kentucky, Michigan, New Jersey, North Carolina, North Dakota, Rhode Island, Virginia, Washington and Wisconsin.

<sup>25</sup> Staff Report at 1.

1 Arizona, subject to Staff's recommendations as set forth herein.

2 7. 1 800's fair value rate base is not useful in determining just and reasonable rates for  
3 the competitive services it proposes to provide to Arizona customers.

4 8. Pursuant to Article XV of the Arizona Constitution as well as the Competitive Rules,  
5 it is just and reasonable and in the public interest for 1 800 to establish rates and charges that are not  
6 less than 1 800's total service long-run incremental costs of providing the competitive services  
7 approved herein.

8 9. Pursuant to A.R.S. § 40-282, the application in this matter may be approved without a  
9 hearing.

10 10. Staff's recommendations are reasonable and should be adopted.

11 **ORDER**

12 IT IS THEREFORE ORDERED that the application of 1 800 Collect, Inc. for a Certificate of  
13 Convenience and Necessity to provide Alternative Operator Services in Arizona, is hereby approved,  
14 subject to Staff's recommendations as more fully described in Findings of Fact Nos. 4 and 5.

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1 IT IS FURTHER ORDERED that if 1 800 Collect, Inc. fails to comply with the Staff  
2 recommendations described in Findings of Fact No. 5, the Certificate of Convenience and Necessity  
3 granted herein shall be considered null and void after due process.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
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7

8 CHAIRMAN \_\_\_\_\_ COMMISSIONER \_\_\_\_\_

9  
10 COMMISSIONER \_\_\_\_\_ COMMISSIONER \_\_\_\_\_ COMMISSIONER \_\_\_\_\_

11 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
12 Director of the Arizona Corporation Commission, have  
13 hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of Phoenix,  
15 this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

16 \_\_\_\_\_  
17 JODI JERICH  
18 EXECUTIVE DIRECTOR

19 DISSENT \_\_\_\_\_

20 DISSENT \_\_\_\_\_

21 YBK:db  
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1 SERVICE LIST FOR: 1 800 COLLECT, INC.

2 DOCKET NO.: T-20832A-12-0014

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14 Utilities Division  
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17 Phoenix, AZ 85007

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## Schedule 1

**Alternative Operator Services  
Maximum InterLata Usage Charges**

Mileage Band	Day Time (a)		Evening/Holiday (b)		Night/Weekend (c)	
	First Minute	Addtl. Minute	First Minute	Addtl. Minute	First Minute	Addtl. Minute
0-10	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
11-16	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
17-22	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
23-30	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
31-40	0.5065	0.3000	0.3135	0.3000	0.3000	0.3000
41-55	0.5307	0.3332	0.3135	0.3000	0.3000	0.3000
56-70	0.5560	0.3732	0.3590	0.3000	0.3000	0.3000
71-124	0.5560	0.3865	0.3590	0.3000	0.3000	0.3000
125-196	0.5560	0.4265	0.3590	0.3000	0.3000	0.3000
197-292	0.5560	0.4799	0.3590	0.3000	0.3000	0.3000
293 & Over	0.5800	0.4820	0.3908	0.3000	0.3000	0.3000

**Rate Periods**

- (a) Day time is Monday through Friday 8:00 a.m. to 5 p.m.  
 (b) Evening/Holiday is Sunday through Friday 5:00 p.m. to 11:00 p.m.  
 Officially recognized holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas Day. Evening rates are applicable during all holiday hours, except for hours when a lower rate (i.e. Night/Weekend) is applicable.  
 (c) Night/Weekend is Sunday through Thursday 11:00 p.m. to 8:00 a.m., 11:00 p.m. Friday through 5:00 p.m. Sunday.

**Alternative Operator Services  
Maximum InterLata Services Charges**

Service (1) (2)	Maximum Charge
Customer Dialed Calling or Credit Card	\$1.50
Operator Dialed Calling or Credit Card	\$2.50
Station - to - Station Collect	\$2.33
Person - to - Person Collect	\$4.66
Third Party Person - to - Person	\$4.66
Third Party Station - to Station	\$2.33
Person - to - Person	\$4.50
Station - to - Station	\$3.50
Directory Assistance	\$2.00

- (1) An Operator Dialed Surcharge of \$2.00 will be applied to an end user who has the capability to call, but requests the operator to do so instead. In accordance with A.A.C. R14-2-1005, end users shall be informed of this charge before call completion. This surcharge will not be imposed in cases of equipment failure or where the end user is experiencing a disability.  
 (2) A Property Surcharge, Subscriber Surcharge or Location Specific Charge may be added to all operator assisted calls completed from Company subscriber locations. This surcharge will appear on the customer's bill and will be capped at \$1.00 per call; all of this surcharge will be remitted to the aggregator; however, this surcharge will not be collected by the Company if the aggregator is also collecting a surcharge.

## Schedule 2

**Alternative Operator Services  
Maximum IntraLata Usage Charges**

Mileage Band	Day Time (a)		Evening/Holiday (b)		Night/Weekend (c)	
	First Minute	Addtl. Minute	First Minute	Addtl. Minute	First Minute	Addtl. Minute
0-10	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
11-16	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
17-22	0.4000	0.3000	0.3000	0.3000	0.3000	0.3000
23-30	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
31-40	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
41-55	0.4500	0.3000	0.3135	0.3000	0.3000	0.3000
56-70	0.5200	0.3300	0.3590	0.3000	0.3000	0.3000
71-124	0.5200	0.3300	0.3590	0.3000	0.3000	0.3000
125-196	0.5300	0.3600	0.3590	0.3000	0.3000	0.3000
197-292	0.5800	0.3600	0.3590	0.3000	0.3000	0.3000
293 & Over	0.5800	0.3800	0.3980	0.3000	0.3300	0.3000

## Rate Periods

- (a) Day time is Monday through Friday 8:00 a.m. to 5 p.m.  
 (b) Evening/Holiday is Sunday through Friday 5:00 p.m. to 11:00 p.m.  
 Officially recognized holidays are: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas Day. Evening rates are applicable during all holiday hours, except for hours when a lower rate (i.e. Night/Weekend) is applicable.  
 (c) Night/Weekend is Sunday through Thursday 11:00 p.m. to 8:00 a.m., 11:00 p.m. Friday through 5:00 p.m. Sunday.

**Alternative Operator Services  
Maximum IntraLata Services Charges**

Service (1) (2)	Maximum Charge
Customer Dialed Calling or Credit Card	\$1.50
Operator Dialed Calling or Credit Card	\$2.50
Station - to - Station Collect	\$2.30
Person - to - Person Collect	\$4.50
Third Party Person - to - Person	\$4.50
Third Party Station - to Station	\$2.30
Person - to - Person	\$4.50
Station - to - Station	\$3.50
Directory Assistance	\$2.00

- (1) An Operator Dialed Surcharge of \$2.00 will be applied to the capability to call, but requests the operator to do so instead. In accordance with A.A.C. R14-2-1005, end users shall be informed of this charge before call completion. This surcharge will not be imposed in cases of equipment failure or where the end user is experiencing a disability.  
 (2) A Property Surcharge, Subscriber Surcharge or Location Specific Charge may be added to all operator assisted calls completed from Company subscriber locations. This surcharge will appear on the customer's bill and will be capped at \$1.00 per call; all of this surcharge will be remitted to the aggregator; however, this surcharge will not be collected by the Company if the aggregator is also collecting a surcharge.