

ORIGINAL

OPEN MEETING ITEM  
MEMORANDUM



Arizona Corporation Commission

DOCKETED

RECEIVED

TO: THE COMMISSION

APR 23 2013

2013 APR 23 P 2:10

FROM: Utilities Division

DATE: April 23, 2013



AZ CORP COMMISSION  
DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF QWEST CORPORATION DBA CENTURYLINK QC FOR APPROVAL TO SET OR INCREASE THE MAXIMUM TARIFFED RATES FOR CERTAIN COMPETITIVE TELECOMMUNICATIONS SERVICES, PURSUANT TO A.A.C. R14-2-1110.  
(DOCKET NO. T-01051B-12-0468)

Introduction

On November 16, 2012, Qwest Corporation dba CenturyLink QC ("CenturyLink") filed an application to set or to increase the maximum tariffed rates for certain competitive telecommunications services, pursuant to A.A.C. R14-2-1110 ("Rule 1110").

In its Application, CenturyLink proposed to set maximum tariff rates for certain services that are competitive subject to conditions defined in the Settlement approved by the Commission in Decision No. 73354 issued on August 21, 2012, and to increase the maximum rate for one service, Directory Assistance ("DA"), that is competitive but not subject to conditions. In Decision No. 73781, dated March 21, 2013, the Commission approved CenturyLink's application on the condition that the maximum rate increases for DA be deferred and addressed at a later date.

Staff is recommending approval of CenturyLink's maximum rate increases for DA with conditions.

Proposed DA Maximum Rate Increases

CenturyLink proposes to increase its existing maximum rate for DA from \$1.15 to \$1.99 and to eliminate its existing one free DA call per month allowance and establishing a maximum rate of \$1.99 for the first DA call each month.

Staff's Analysis

CenturyLink's proposed maximum rate of \$1.99 for DA calls, outside the one free DA call per month allowance, equals a 73% increase over the present rate of \$1.15. Nonetheless, the proposed DA maximum rate will remain well below the DA rates of CenturyLink's competitors.<sup>1</sup>

<sup>1</sup> Zayo Group, \$3.00 (without call completion); Bullseye, \$3.00 (without call completion); AT&T, \$3.75 (without call completion); AT&T, \$4.80 (with call completion); Electric Lighwave, Inc., \$4.00 (without call completion); Cox, \$5.00 (with call completion)

The proposed CenturyLink DA maximum rate will continue to include Call Completion for all calls. Cox is one of the few Competitive Local Exchange Carriers ("CLECs") that includes Call Completion for all DA Calls, as does CenturyLink.

CenturyLink also proposes a maximum rate of \$1.99 to eliminate the existing one free DA call per month allowance in CenturyLink's Price Cap Tariff No. 2, section 6.2.4.A.2.a, - "A customer is allowed one directly dialed Directory Assistance call per month at no charge for each central office line or trunk, excluding PALs." Among CenturyLink's key competitors only AT&T has a call allowance similar to CenturyLink's.<sup>2</sup> Therefore, while the proposed max increase for DA calls currently billed at the \$1.15 rate is not unusual, an increase from \$0.00 to \$1.99 is unusual and may be of significant consequence to CenturyLink end-users.

In responding to Staff's First Data Request, CenturyLink estimated that a large majority of its DA calls are currently within the one free DA call per month allowance. Any associated call suppression is not possible to estimate until CenturyLink changes its current rate of \$0.00 at a future date. Only a maximum rate change is proposed by this application. The elimination of the one free DA call per month allowance in simple annualized terms (number of free calls x \$1.99) could result in a revenue increase of several million dollars to CenturyLink. Staff's experience in such matters, however, leads it to believe that call suppression will exist as the current rate is changed to a value approaching the proposed maximum rate of \$1.99 and will be significant. Therefore, Staff believes the eventual revenue realized by elimination of the one free DA call per month allowance by CenturyLink will be below the estimated, annualized revenue based on the proposed maximum rate increase.<sup>3</sup>

Staff's experience also leads it to believe that the elimination of the one free DA call per month allowance will be of significant customer service impact. While CenturyLink will provide proper written customer notice, changes to an 'on-demand' type service, such as DA, may not be fully understood by customers.<sup>4</sup> Without 'on-demand' notification, customers may not be aware of the elimination of the one free DA call per month allowance until the arrival of their next bill from CenturyLink. This may result in significant customer complaints to CenturyLink and the Commission's Customer Service section. Staff, therefore, recommends that CenturyLink provide DA 'on-demand' notice for 90 days in advance of and 90 days following any CenturyLink increase in the one free DA call per month allowance current rate to minimize customer confusion. Staff also recommends that the DA 'on-demand' notice be supplemented with a bill insert or bill message to all CenturyLink end-users for 90 days in advance of and 90 days following any CenturyLink increase in the one free DA call per month allowance current rate to minimize customer confusion. Staff also recommends that CenturyLink establish a Business Office refund policy for customers who do not believe they were adequately informed of the one free DA call per month allowance elimination

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<sup>2</sup> AT&T Corp., Residential Local Exchange Services Tariff, section 5.1.7

<sup>3</sup> The estimated, annualized revenue is confidential.

<sup>4</sup> On Demand refers to non-recurring services which customers use as needed such as DA.

Staff's Conclusions

A.A.C. R14-2-1109 allows CenturyLink to price a competitive telecommunications service at any level at or below the maximum rate stated in the Company's tariff on file with the Commission, provided that the price for the service is not less than the Company's total service long-run incremental (marginal) cost of providing the service. Pursuant to A.A.C. R14-2-1110.B, CenturyLink is required to submit the following information in order to increase the maximum rates for a competitive telecommunications service:

1. A statement setting forth the reasons for which a rate increase is required;
2. A schedule of current rates and proposed rates and the additional revenues to be derived from the proposed rates;
3. An affidavit verifying that appropriate notice of the proposed rate increase has been provided to customers of the service.

A. CenturyLink's Request with Respect to Directory Assistance

For calls to DA that are currently assessed a charge of \$1.15, CenturyLink proposes to increase the maximum rate to \$1.99 for DA calls, which equals a 73% increase over the present rate. The proposed maximum rate of \$1.99 will apply to all DA calls, resulting in the elimination of CenturyLink's current Price Cap Tariff No. 2, section 6.2.4, A.2.a, call allowance - "A customer is allowed one directly dialed Directory Assistance call per month at no charge for each central office line or trunk, excluding Public Access Lines ("PALs.")"

B. Compliance with Constitutional Fair Value Mandate

Staff did request from CenturyLink and did consider the impacts of the proposed maximum rate increases in relation to fair value and the operating revenues of the Company. Staff did not accord this analysis the same amount of weight that it would have if CenturyLink still operated in markets that were not competitive.

In a competitive market, the actual rates ultimately charged by CenturyLink will be heavily influenced by the market. As of this time, CenturyLink has proposed no changes to its actual rates charged to customers. As another benchmark, Staff compared the proposed DA maximum rates with the rates charged by other ILECs and CLECs operating in the State of Arizona and found CenturyLink's proposed DA maximum rates to be reasonable.

Given these considerations, Staff found the proposed maximum rates to be fair and reasonable.

Staff's Recommendations

Staff recommends approval of the maximum rate increases for DA in this filing conditioned upon the following:

1. That CenturyLink provide a bill insert notice to all CenturyLink end-users at least 90 days in advance of any CenturyLink increase in the one free DA call per month allowance current rate. The bill insert should inform customers of the new charge and the date when the new charge will be implemented.
2. That CenturyLink follow its bill insert notice with a bill message to all CenturyLink end-users for at least 60 consecutive days in advance of and at least 90 consecutive days following any CenturyLink increase in the one free DA call per month allowance current rate.
3. That CenturyLink provide an automated message to any CenturyLink end-users calling DA for at least 90 consecutive days in advance of and at least 90 consecutive days following any CenturyLink increase in the one free DA call per month allowance current rate.
4. That CenturyLink establish a Business Office refund policy for customers who do not believe they were adequately informed of the one free DA call per month allowance elimination.



Steven M. Olea  
Director  
Utilities Division

SMO:AFF:sms\MAS

ORIGINATOR: Armando F. Fimbres

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP

Chairman

3 GARY PIERCE

Commissioner

4 BRENDA BURNS

Commissioner

5 BOB BURNS

Commissioner

6 SUSAN BITTER SMITH

Commissioner

7  
8 IN THE MATTER OF THE APPLICATION )  
9 OF QWEST CORPORATION DBA )  
10 CENTURYLINK QC FOR APPROVAL TO )  
11 SET OR INCREASE THE MAXIMUM )  
12 TARIFFED RATES FOR CERTAIN )  
13 COMPETITIVE TELECOMMUNICATIONS )  
14 SERVICES, PURSUANT TO A.A.C. R14-2- )  
15 1110. )  
16 \_\_\_\_\_

DOCKET NO. T-01051B-12-0468

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

ORDER

14 Open Meeting  
15 Date to be Determined  
16 Phoenix, Arizona

16 BY THE COMMISSION:

17 FINDINGS OF FACT

18 I. Introduction

19 1. On November 16, 2012, Qwest Corporation dba CenturyLink QC ("CenturyLink")  
20 filed an application to set or to increase the maximum tariffed rates for certain competitive  
21 telecommunications services, pursuant to A.A.C. R14-2-1110 ("Rule 1110").

22 2. In its Application, CenturyLink proposed to set maximum tariff rates for certain  
23 services that are competitive subject to conditions defined in the Settlement approved by the  
24 Commission in Decision No. 73354 issued on August 21, 2012, and to increase the maximum rate  
25 for one service, Directory Assistance ("DA"), that is competitive but not subject to conditions.

26 3. In Decision No. 73781, dated March 21, 2013, the Commission approved  
27 CenturyLink's application on the condition that the maximum rate increases for DA be deferred  
28 and addressed at a later date.

4. Staff is recommending approval of CenturyLink's maximum rate increases for DA with conditions.

II. Proposed DA Maximum Rate Increases

5. CenturyLink proposes to increase its existing maximum rate for DA from \$1.15 to \$1.99 and to eliminate its existing one free DA call per month allowance and establishing a maximum rate of \$1.99 for the 1st DA call each month.

III. Staff's Analysis

6. CenturyLink's proposed maximum rate of \$1.99 for DA calls, outside the one free DA call per month allowance, equals a 73% increase over the present rate of \$1.15. Nonetheless, the proposed DA maximum rate will remain well below the DA rates of CenturyLink's competitors.<sup>1</sup>

7. The proposed CenturyLink DA maximum rate will continue to include Call Completion for all calls.

8. Cox is one of the few Competitive Local Exchange Carriers ("CLECs") that includes Call Completion for all DA Calls, as does CenturyLink.

9. CenturyLink also proposes a maximum rate of \$1.99 to eliminate the existing one free DA call per month allowance in CenturyLink's Price Cap Tariff No. 2, section 6.2.4.A.2.a, - "A customer is allowed one directly dialed Directory Assistance call per month at no charge for each central office line or trunk, excluding PALs."

10. Among CenturyLink's key competitors only AT&T has a call allowance similar to CenturyLink's.<sup>2</sup> Therefore, while the proposed max increase for DA calls currently billed at the \$1.15 rate is not unusual, an increase from \$0.00 to \$1.99 is unusual and may be of significant consequence to CenturyLink end-users.

11. In responding to Staff First Data Request, CenturyLink estimated that a large majority of its DA calls are currently within the one free DA call per month allowance. Any

<sup>1</sup> Zayo Group, \$3.00 (without call completion); Bullseye, \$3.00 (without call completion); AT&T, \$3.75 (without call completion); AT&T, \$4.80 (with call completion); Electric Lighwave, Inc., \$4.00 (without call completion); Cox, \$5.00 (with call completion)

<sup>2</sup> AT&T Corp., Residential Local Exchange Services Tariff, section 5.1.7

1 associated call suppression is not possible to estimate until CenturyLink changes its current rate of  
2 \$0.00 at a future date. Only a maximum rate change is proposed by this application. The  
3 elimination of the one free DA call per month allowance in simple annualized terms (number of  
4 free calls x \$1.99) could result in a revenue increase of several million dollars to CenturyLink.

5 12. Staff's experience in such matters, however, leads it to believe that call suppression  
6 will exist as the current rate is changed to a value approaching the proposed maximum rate of  
7 \$1.99 and will be significant. Therefore, Staff believes the eventual revenue realized by  
8 elimination of the one free DA call per month allowance by CenturyLink will be below the  
9 estimated, annualized revenue based on the proposed maximum rate increase.

10 13. Staff's experience also leads it to believe that the elimination of the one free DA  
11 call per month allowance will be of significant customer service impact. While CenturyLink will  
12 provide proper written customer notice, changes to an 'on-demand' type service, such as DA, may  
13 not be fully understood by customers.<sup>3</sup> Without 'on-demand' notification, customers may not be  
14 aware of the elimination of the one free DA call per month allowance until the arrival of their next  
15 bill from CenturyLink. This may result in significant customer complaints to CenturyLink and the  
16 Commission's Customer Service section.

17 14. Staff, therefore, recommends that CenturyLink provide DA 'on-demand' notice for  
18 90 days in advance of and 90 days following any CenturyLink increase in the one free DA call per  
19 month allowance current rate to minimize customer confusion. Staff also recommends that the DA  
20 'on-demand' notice be supplemented with a bill insert or bill message to all CenturyLink end-users  
21 for 90 days in advance of and 90 days following any CenturyLink increase in the one free DA call  
22 per month allowance current rate to minimize customer confusion. Staff also recommends that  
23 CenturyLink establish a Business Office refund policy for customers who do not believe they were  
24 adequately informed of the one free DA call per month allowance elimination.

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27

28 <sup>3</sup> On Demand refers to non-recurring services which customers use as needed such as DA.

1        IV. Staff's Conclusions

2            15.     A.A.C. R14-2-1109 allows CenturyLink to price a competitive telecommunications  
3 service at any level at or below the maximum rate stated in the Company's tariff on file with the  
4 Commission, provided that the price for the service is not less than the Company's total service  
5 long-run incremental (marginal) cost of providing the service. Pursuant to A.A.C. R14-2-1110.B,  
6 CenturyLink is required to submit the following information in order to increase the maximum  
7 rates for a competitive telecommunications service:

- 8            a.        A statement setting forth the reasons for which a rate increase is required;  
9            b.        A schedule of current rates and proposed rates and the additional revenues to be  
10                derived from the proposed rates;  
11            c.        An affidavit verifying that appropriate notice of the proposed rate increase has been  
12                provided to customers of the service.

13            CenturyLink's Request with Respect to Directory Assistance

14            16.     For calls to DA that are currently assessed a charge of \$1.15, CenturyLink proposes  
15 to increase the maximum rate to \$1.99 for DA calls, which equals a 73% increase over the present  
16 rate. The proposed maximum rate of \$1.99 will apply to all DA calls, resulting in the elimination  
17 of CenturyLink's current Price Cap Tariff No. 2, section 6.2.4, A.2.a, call allowance - "A customer  
18 is allowed one directly dialed Directory Assistance call per month at no charge for each central  
19 office line or trunk, excluding Public Access Lines ("PALs.")

20            17.     Staff did request from CenturyLink and did consider the impacts of the proposed  
21 maximum rate increases in relation to fair value and the operating revenues of the Company. Staff  
22 did not accord this analysis the same amount of weight that it would have if CenturyLink still  
23 operated in markets that were not competitive.

24            18.     In a competitive market, the actual rates ultimately charged by CenturyLink will be  
25 heavily influenced by the market. As of this time, CenturyLink has proposed no changes to its  
26 actual rates charged to customers. As another benchmark of reasonableness, Staff compared the  
27 proposed DA maximum rates with the rates charged by other ILECs and CLECs operating in the  
28 State of Arizona and found CenturyLink's proposed DA maximum rates to be reasonable.



19. Given these considerations, Staff found the proposed maximum rates to be fair and reasonable.

V. Staff's Recommendations

20. Staff recommends approval of the maximum rate increases for DA in this filing without a hearing conditioned upon the following:

- a. That CenturyLink provide a bill insert notice to all CenturyLink end-users at least 90 days in advance of any CenturyLink increase in the one free DA call per month allowance current rate. The bill insert should inform customers of the new charge and the date when the new charge will be implemented.
- b. That CenturyLink follow its bill insert notice with a bill message to all CenturyLink end-users for at least 60 consecutive days in advance of and at least 90 consecutive days following any CenturyLink increase in the one free DA call per month allowance current rate.
- c. That CenturyLink provide an automated message to any CenturyLink end-users calling DA for at least 90 consecutive days in advance of and at least 90 consecutive days following any CenturyLink increase in the one free DA call per month allowance current rate.
- d. That CenturyLink establish a Business Office refund policy for customers who do not believe they were adequately informed of the one free DA call per month allowance elimination.

CONCLUSIONS OF LAW

1. Qwest Corporation dba CenturyLink QC is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. § 40-285.

2. The Commission has jurisdiction over Qwest Corporation dba CenturyLink QC and the subject matter in this filing.

3. The Commission, having reviewed the filing and Staff's Memorandum dated April 23, 2013, concludes that it is in the public interest to grant approval as proposed and discussed herein.

ORDER

IT IS THEREFORE ORDERED that the application of Qwest Corporation dba CenturyLink QC to increase Directory Assistance maximum monthly rates as described in its Application and herein, be and hereby is approved.

IT IS FURTHER ORDERED that before CenturyLink makes any changes to its actual rates it shall provide both the Commission and customers with notice as provided under Arizona law and Commission rules.

IT IS FURTHER ORDERED that CenturyLink provide a bill insert notice to all CenturyLink end-users at least 90 days in advance of any CenturyLink increase in the one free DA call per month allowance current rate.

IT IS FURTHER ORDERED that CenturyLink follow its bill insert notice with a bill message to all CenturyLink end-users for at least 60 consecutive days in advance of and at least 90 consecutive days following any CenturyLink increase in the one free DA call per month allowance current rate.

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1 IT IS FURTHER ORDERED that CenturyLink provide an automated message to any  
2 CenturyLink end-users calling DA for at least 90 consecutive days in advance of and at least 90  
3 consecutive days following any CenturyLink increase in the one free DA call per month allowance  
4 current rate.

5 IT IS FURTHER ORDERED that CenturyLink establish a Business Office refund policy  
6 for customers who do not believe they were adequately informed of the one free DA call per  
7 month allowance elimination.

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

9  
10 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

11  
12 \_\_\_\_\_  
CHAIRMAN

COMMISSIONER

13  
14  
15 \_\_\_\_\_  
COMMISSIONER

COMMISSIONER

COMMISSIONER

16  
17 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
18 Director of the Arizona Corporation Commission, have  
19 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 \_\_\_\_\_, 2013.

20  
21 \_\_\_\_\_  
22 JODI JERICH  
23 EXECUTIVE DIRECTOR

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

25  
26 DISSENT: \_\_\_\_\_

27 SMO:AFF:sms/MAS  
28

Decision No. \_\_\_\_\_

1 SERVICE LIST FOR:  
2 DOCKET NO. T-01051B-12-0468

3 Norman Curtright  
4 CenturyLink  
5 20 East Thomas Road, 1<sup>st</sup> Floor  
6 Phoenix, Arizona 85012

7 Daniel Pozefsky  
8 RUCO  
9 1110 West Washington, Ste. 220  
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11 Mr. Steven M. Olea  
12 Director, Utilities Division  
13 Arizona Corporation Commission  
14 1200 West Washington Street  
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16 Ms. Janice M. Alward  
17 Chief Counsel, Legal Division  
18 Arizona Corporation Commission  
19 1200 West Washington Street  
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