

ORIGINAL

OPEN MEETING

MEMORANDUM

RECEIVED



0000147542

Arizona Corporation Commission

DOCKETED

AUG 22 2013

TO: THE COMMISSION 2013 AUG 22 P 2:50

FROM: Utilities Division 2013 AUG 22 P 2:50
CORP COMMISSION
DOCKET CONTROL

DATE: August 22, 2013

RE: IN THE MATTER OF THE APPLICATION OF COX ARIZONA TELCOM,
L.L.C. TARIFF FILING TO INCREASE MAXIMUM RATES ON VARIOUS
SERVICES (DOCKET NO. T-03471A-13-0244)

PREPARED BY
ne

Introduction

On July 12, 2013, Cox Arizona Telcom, L.L.C. ("Cox" or "Company") filed revisions to its Local Exchange Service Tariff to increase maximum recurring, non-recurring, and per-minute rates for residential services. Although Arizona Corporation Commission ("Commission") approval of the proposed tariff revisions would authorize Cox to increase its customers' rates, Cox does not propose to increase any recurring, non-recurring, or per-minute rate that it currently charges any of its customers at this time.

In Decision No. 60285, dated July 2, 1997, the Commission concluded that the local exchange company and the intraLATA/interLATA services which Cox provides are competitive pursuant to Arizona Administrative Code ("A.A.C.") R14-2-1108 of the Commission's Competitive Telecommunications Services Rules. The pricing and rate change provision of A.A.C. R14-2-1109 and A.A.C. R14-2-1110 apply to changes in either the price levels or maximum rates for services provided by Cox. A.A.C. R14-2-1109 allows Cox 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 cost of providing the service. Pursuant to A.A.C. R14-2-1110, Cox 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; and
3. An affidavit verifying that appropriate notice of the proposed rate increase has been provided to customers of the service.

In its July 12, 2013 filing, Cox proposes to increase maximum recurring, non-recurring, and per minute rates for 23 residential services and add one new service, a telephone number change charge. The proposed increases are listed in Exhibit 1 attached to this Memorandum. Cox does not propose to increase any recurring, non-recurring, or per minute rate that it currently

charges its customers at this time. On July 31, 2013, Cox filed an amended tariff revision to remove the telephone number change charge from this filing.

Background

On July 26, 2013, Staff issued its First Set of Data Requests. On August 1, 2013, a Confidentiality Agreement was signed between Staff and Cox. On August 1, 2013, Cox provided responses to Staff's First Set of Data Requests.

In its response, Cox explained that approval of the proposed maximum recurring and non-recurring rate increases are being sought for two reasons:

1. Specifically for the non-recurring items, the reason is due in part to Cox moving to a standardized rate approach across all of its markets. Cox is seeking to have one rate (e.g., installation charge) for each of the products that it provides. For purposes of efficiency in its nationwide marketing efforts, it is more cost effective to advertise one installation rate across the country than have multiple rates for the same service, and
2. In regards to the recurring items, these services are priced to reflect the competitive market in which Cox operates. Since market prices fluctuate, Cox is seeking the ability to price its services based on competitive reactions. Cox is seeking higher maximum rates to enable it to react to market forces and process its services accordingly, something it has limited ability to do with the services that are part of this application.

Staff's Analysis

On August 1, 2013, Cox provided Staff with a copy of its Customer Notice that informs the impacted customers of the proposed rate changes. The Customer Notice will be in the form of a bill message, in both English and Spanish, of two paragraphs in length, informing customers of the application filed with the Commission and directing customers to Cox's website for detailed information regarding the proposed maximum recurring and non-recurring rate increases. Customers unable to use the Cox website are able to receive paper copies of the proposed maximum recurring, non-recurring, and per minute rate increases by contacting Cox using information provided in the bill message. Cox also provided Staff with an Affidavit of Mailing indicating that the bill message is being sent out to all of Cox Arizona Telcom, LLC's residential customers through the billing period of August 1 – 30, 2013.

Since this filing increases the maximum rates for services that have been classified as competitive under the Commission's Competitive Telecommunications Services Rules, A.A.C. R14-2-1110 applies to Cox's proposal. Cox provided the information required by A.A.C. R14-2-1110.

Staff's Conclusions

The proposed rate increases contained in this filing are for services that have been classified as competitive by the Commission and that 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 requested information from Cox to allow it to determine the potential effects of approval of the filing. Cox provided information indicating that if it raised all of its rates to the new maximum rates requested in this docket, the expected effect of this filing would be an increase to Cox's annualized Arizona revenues of less than 17 percent. Since Cox will not be raising the actual or current rates corresponding to the 23 services in this application, the initial market impact will be zero.

Staff obtained information regarding Cox's fair value rate base. Due to 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 Cox, it did not accord that information substantial weight in its analysis of this matter.

The proposed maximum recurring, non-recurring, and per-minute rates are comparable to the rates for similar services provided by other telecommunications companies operating in the State of Arizona. In addition, the rates ultimately charged by Cox will be heavily influenced by the market.

Staff's Recommendation

Staff recommends approval of this application.



Steven M. Olea
Director
Utilities Division

SMO:PJG:sms\MAS

ORIGINATOR: Pamela J. Genung

Service	Current Rate	Present Maximum Rate	Proposed Maximum Rate
Residential Local Non-Recurring Line Connection Charge, per line, lines 1-8	\$ 40.00	\$ 40.00	\$ 80.00
Residential Local Non-Recurring Line Connection Charge, per line, when bundled	\$ 20.00	\$ 20.00	\$ 80.00
Residential Local Non-Recurring Line Connection Charge, per line, reconnect	\$ 40.00	\$ 40.00	\$ 80.00
Residential Local Non-Recurring Line Connection Charge, FastConnect	\$ 40.00	\$ 40.00	\$ 80.00
Residential Local Non-Recurring Line Connection Charge, FastConnect, when bundled	\$ 40.00	\$ 40.00	\$ 80.00
Residential Local Non-Recurring Line Connection Charge, Transfer of Service	\$ 40.00	\$ 40.00	\$ 80.00
Residential Monthly Recurring Local Access Line Flat-Rate, Standard Service	\$ 13.18	\$ 15.00	\$ 17.00
Residential Monthly Recurring Local Access Line Flat-Rate, Standard Service, Additional lines	\$ 13.18	\$ 15.00	\$ 17.00
Residential Monthly Recurring Local Access Line Flat-Rate, Combination Service	\$ 13.18	\$ 15.00	\$ 17.00
Residential Monthly Recurring Local Access Line Flat-Rate, Combination Service, Second line	\$ 13.18	\$ 15.00	\$ 17.00
Residential Monthly Recurring Local Access Line Flat-Rate, Combination Service, Additional lines	\$ 13.18	\$ 15.00	\$ 17.00
Residential Monthly Recurring Basic Calling Features, Anonymous Call Rejection	\$ -	\$ -	\$ 4.00
Residential Monthly Recurring Basic Calling Features, Call Forwarding	\$ 3.75	\$ 4.00	\$ 6.00
Residential Monthly Recurring Basic Calling Features, Three-Way Calling	\$ 4.00	\$ 4.00	\$ 7.00
Residential Monthly Recurring Custom Calling Features, Caller ID	\$ 9.00	\$ 10.00	\$ 15.00
Residential Monthly Recurring Miscellaneous Calling Features, Remote Call Forwarding	\$ 17.00	\$ 17.00	\$ 20.00
Residential Monthly Recurring Connection Packages, Cox Connection-60 Package	\$ 31.99	\$ 34.99	\$ 40.00
Residential Monthly Recurring Connection Packages, Cox Unlimited Connection Package	\$ 39.95	\$ 44.99	\$ 50.00
Intrastate Toll Service, Residential Operator Assisted Calls (Day, Evening, & Night rates)	\$ 0.35	\$ 0.35	\$ 0.70
Intrastate Toll Service, Optional Calling Plans, Cox U.S. Savings Plan, Monthly Recurring	\$ 3.95	\$ 3.95	\$ 6.00
Intrastate Toll Service, Optional Calling Plans, Cox U.S. Savings Plan, Per Minute	\$ 0.07	\$ 0.07	\$ 0.20

Intrastate Toll Service, Optional Calling Plans, Simply Five Savings Plan, Monthly Recurring	\$ 4.95	\$ 4.95	\$ 8.00
Intrastate Toll Service, Optional Calling Plans, Simply Five Savings Plan, Per Minute	\$ 0.05	\$ 0.05	\$ 0.20

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

- BOB STUMP
Chairman
- GARY PIERCE
Commissioner
- BRENDA BURNS
Commissioner
- BOB BURNS
Commissioner
- SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION)
 OF COX ARIZONA TELCOM, L.L.C.)
 TARIFF FILING TO INCREASE)
 MAXIMUM RATES ON VARIOUS)
 SERVICES.)

DOCKET NO. T-03471A-13-0244
 DECISION NO. _____
ORDER

Open Meeting
 September 10 and 11, 2013
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Cox Arizona Telcom, L.L.C. ("Cox" or "Company") is certificated to provide intrastate telecommunications service as a public service corporation in the State of Arizona.
2. On July 12, 2013, Cox filed revisions to its Local Exchange Service Tariff to increase maximum recurring, non-recurring, and per minute rates for residential services.
3. Although Arizona Corporation Commission ("Commission") approval of the proposed tariff revisions would authorize Cox to increase its customers' rates, Cox does not propose to increase any recurring, non-recurring, or per minute rate that it currently charges any of its customers at this time.
4. In Decision No. 60285, dated July 2, 1997, the Commission concluded that the local exchange company and the intraLATA/interLATA services which Cox provides are competitive pursuant to Arizona Administrative Code ("A.A.C.") R14-2-1108 of the Commission's

1 Competitive Telecommunications Services Rules. The pricing and rate change provision of
2 A.A.C. R14-2-1109 and A.A.C. R14-2-1110 apply to changes in either the price levels or
3 maximum rates for services provided by Cox. A.A.C. R14-2-1109 allows Cox to price a
4 competitive telecommunications service at any level at or below the maximum rate stated in the
5 Company's tariff on file with the Commission, provided that the price for the service is not less
6 than the Company's total service long-run incremental cost of providing the service. Pursuant to
7 A.A.C. R14-2-1110, Cox is required to submit the following information in order to increase the
8 maximum rates for a competitive telecommunications service:

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

14 5. In its July 12, 2013 filing, Cox proposes to increase maximum recurring, non-recurring,
15 and per minute rates for 23 residential services and add one new service, a telephone number
16 change charge. The proposed increases are listed in Exhibit 1 attached to this Memorandum. Cox
17 does not propose to increase any recurring, non-recurring, or per minute rate that it currently
18 charges its customers at this time. On July 31, 2013, Cox filed an amended tariff revision to
19 remove the telephone number change charge from this filing.

20 Background

21 6. On July 26, 2013, Staff issued its First Set of Data Requests. On August 1, 2013, a
22 Confidentiality Agreement was signed between Staff and Cox. On August 1, 2013, Cox provided
23 responses to Staff's First Set of Data Requests.

24 7. In its response, Cox explained that approval of the proposed maximum recurring and
25 non-recurring rate increases are being sought for two reasons:

- 26 A. Specifically for the non-recurring items, the reason is due in part to Cox moving to a
27 standardized rate approach across all of its markets. Cox is seeking to have one rate
28 (e.g., installation charge) for each of the products that it provides. For purposes of
efficiency in its nationwide marketing efforts, it is more cost effective to advertise one
installation rate across the country than have multiple rates for the same service; and

1
2 B. In regards to the recurring items, these services are priced to reflect the competitive
3 market in which Cox operates. Since market prices fluctuate, Cox is seeking the ability
4 to price its services based on competitive reactions. Cox is seeking higher maximum
rates to enable it to react to market forces and process its services accordingly,
something it has limited ability to do with the services that are part of this application.

5 Staff's Analysis

6 8. On August 1, 2013, Cox provided Staff with a copy of its Customer Notice that informs
7 the impacted customers of the proposed rate changes. The Customer Notice will be in the form of
8 a bill message, in both English and Spanish, of two paragraphs in length, informing customers of
9 the application filed with the Commission and directing customers to Cox's website for detailed
10 information regarding the proposed maximum recurring and non-recurring rate increases.
11 Customers unable to use the Cox website are able to receive paper copies of the proposed
12 maximum recurring, non-recurring, and per minute rate increases by contacting Cox using
13 information provided in the bill message. Cox also provided Staff with an Affidavit of Mailing
14 indicating that the bill message is being sent out to all of Cox Arizona Telcom, LLC's residential
15 customers through the billing period of August 1 – 30, 2013.

16 9. Since this filing increases the maximum rates for services that have been classified as
17 competitive under the Commission's Competitive Telecommunications Services Rules, A.A.C.
18 R14-2-1110 applies to Cox's proposal. Cox provided the information required by A.A.C. R14-2-
19 1110.

20 Staff's Conclusions

21 10. The proposed rate increases contained in this filing are for services that have been
22 classified as competitive by the Commission and that are now subject to the Commission's
23 Competitive Telecommunications Services Rules. Under those Rules, rates for competitive
24 services are not set according to rate of return regulation standards. Staff requested information
25 from Cox to allow it to determine the potential effects of approval of the filing. Cox provided
26 information indicating that if it raised all of its rates to the new maximum rates requested in this
27 docket, the expected effect of this filing would be an increase to Cox's annualized Arizona
28

1 revenues of less than 17 percent. Since Cox will not be raising the actual or current rates
2 corresponding to the 23 services in this application, the initial market impact will be zero.

3 11. Staff obtained information regarding Cox's fair value rate base. Due to the nature of
4 the competitive market and other factors, a fair value analysis is not necessarily representative of
5 the Company's operations. Therefore, while Staff considered the fair value rate base information
6 of Cox, it did not accord that information substantial weight in its analysis of this matter.

7 12. The proposed maximum recurring, non-recurring, and per minute rates are comparable
8 to the rates for similar services provided by other telecommunications companies operating in the
9 State of Arizona. In addition, the rates ultimately charged by Cox will be heavily influenced by
10 the market.

11 Staff's Recommendation

12 13. Staff recommends approval of this application.

13 CONCLUSIONS OF LAW

14 1. Cox Arizona Telcom, L.L.C. is a public service corporation within the meaning of
15 Article XV of the Arizona Constitution.

16 2. The Commission has jurisdiction over Cox Arizona Telcom, L.L.C and the subject
17 matter in this filing.

18 3. The Commission, having reviewed the filing and Staff's Memorandum dated
19 August 22, 2013, concludes that the proposed tariff revisions as discussed herein are reasonable,
20 fair and equitable and therefore in the public interest.

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER

IT IS THEREFORE ORDERED that Cox Arizona Telcom, LLC's proposed tariff revisions for the 23 services discussed herein be and hereby are 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, JODI JERICH, Executive Director 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 _____, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:PJG:sms\MAS

1 SERVICE LIST FOR: Cox Arizona Telcom, L.L.C.
2 DOCKET NO. T-03471A-13-0224

3 Mr. Mark DiNunzio
4 Director, AZ Regulatory Affairs
5 Cox Arizona Telcom, L.L.C.
6 1550 West Deer Valley Road
7 Phoenix, Arizona 85027

8 Mr. Steven M. Olea
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Ms. Janice M. Alward
14 Chief Counsel, Legal Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18
19
20
21
22
23
24
25
26
27
28