

NEW APPLICATION

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORP COMMISSION  
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IN THE MATTER OF THE APPLICATION OF  
TABLE TOP TELEPHONE COMPANY, INC., A  
NEVADA CORPORATION, FOR A HEARING  
TO DETERMINE THE EARNINGS OF THE  
COMPANY, THE FAIR VALUE OF THE  
COMPANY FOR RATEMAKING PURPOSES,  
AND TO INCREASE RESIDENTIAL RATES AS  
NECESSARY TO COMPENSATE FOR THE  
RATE IMPACTS OF THE FCC'S USF/ICC  
TRANSFORMATION ORDER

DOCKET NO. T-02724A-13-0416

APPLICATION

1 Table Top Telephone Company, Inc. ("Table Top"), an Arizona corporation, hereby  
2 applies pursuant to A.R.S. § 40-250 and the Commission's Rule R 14-2-103 for a determination  
3 of Table Top's earnings and the fair value of its investment and requests that its residential rates  
4 be increased as necessary to compensate for the rate impacts of the Federal Communication  
5 Commission's November 18, 2011, USF/ICC Transformation Order ("USF/ICC Order").

6 **I. BACKGROUND**

7 On November 18, 2011, the Federal Communications Commission issued the USF/ICC  
8 Order. The USF/ICC Order transitions the outdated federal universal service programs and most  
9 inter-carrier compensation systems into a new Connect America Fund ("CAF"). The FCC's  
10 press release characterized the USF/ICC Order as "the most significant policy step ever taken to  
11 connect all Americans to broadband."

12 The USF/ICC Order will reduce inter-carrier compensation rates to zero by July 1, 2020,  
13 for rate of return companies, with limited recovery from customers and partial recovery from the  
14 CAF. The recovery from the CAF will phase out over time at 5% annually

Arizona Corporation Commission

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1 Table Top is a small rate-of-return regulated Incumbent Local Exchange Carrier  
2 (“ILEC”). Of particular importance to Table Top and other rural ILECs, the USF/ICC Order  
3 adds new rules that will reduce federal high-cost loop support to carriers by the amount their flat-  
4 rate residential local service rates fall below a specified annual urban rate floor.<sup>1</sup> The rate floor  
5 includes, if any, state subscriber line charges, state universal service fees, and mandatory  
6 extended area service charges. The FCC’s order established local residential rate floors of  
7 \$10.00 as of June 1, 2012, and \$14.00 as of June 1, 2013, with the floor thereafter being  
8 determined annually by the FCC’s Wireline Competition Bureau, based on a nationwide  
9 average.<sup>2</sup>

10 The Wireline Competition Bureau has not yet determined the rate floor to be in effect for  
11 June 1, 2014. The nationwide residential average rate was \$15.62 in 2008. Estimates for the  
12 2013 nationwide residential average rate range from \$17.00 to \$18.50, so the 2014 rate floor will  
13 certainly be substantially higher than 2013’s \$14.00 rate floor.

14 Federal and state support funding are vital to a robust telecommunications network in  
15 high cost areas. To maintain federal loop support, Table Top and other rural ILECs must  
16 increase local rates to the FCC-mandated residential rate floors. Otherwise, the amount of  
17 federal support funds will be reduced dollar-for-dollar for each customer by the difference  
18 between the existing local rate and the new rate floor. If local rates are not increased, the new  
19 FCC rules will reduce funds coming to the state of Arizona and negatively impact customers  
20 living in high-cost areas in the state.

21 Low customer density makes Table Top dependent on high-cost federal support  
22 mechanisms. It is important that the company be allowed to increase local rates to the FCC  
23 determined annual rate floors in order to maintain its existing federal support.

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<sup>1</sup> 41 C.F.R § 54.318.

<sup>2</sup> USF/ICC Order paragraph 236 states the most recently available nationwide average local rate from 2008 was \$15.62.

1 The Wireline Competition Bureau is not expected to set the 2014 rate floor until the end  
2 of this quarter or the first quarter of 2014. If the rate floor is not set until 2014, it could be  
3 difficult for the Commission to timely review an application and authorize new rates for Table  
4 Top by June 1, 2014. This would cause Table Top to lose federal high-cost loop support dollar-  
5 for-dollar by the amount the new rate floor exceeds current \$14 residential rates.

6 To prevent the loss of federal support, Table Top requests that the Commission approve a  
7 local residential rate increase of up to \$19.00. The actual rate implemented would be set at the  
8 lower of the approved 2014 residential rate floor and \$19.00. Table Top will file the new FCC  
9 rate floor as soon as it is available.

## 10 **II. TABLE TOP**

11 Table Top is a corporation duly organized and existing under and by virtue of the laws of  
12 the State of Arizona. Table Top is authorized to engage in and is now engaged in the conduct of  
13 a general communications business within the State of Arizona.

## 14 **III. SUMMARY OF REQUEST**

15 This application is made pursuant to the provisions of A.R.S. §§ 40-250 and 40-367, and  
16 Commission Rule R14-2-103. The Commission last considered Table Top's rates in Docket No.  
17 T-02724A- 12-0489, which resulted in Commission Decision 73875 issued on May 8, 2013.  
18 Decision No. 73875 authorized Table Top to raise its base residential rates to \$14.00/month,  
19 effective June 1, 2013. As discussed above, these rates are substantially below the expected  
20 federal rate floor that will go into effect on June 1, 2014.

21 Table Top is aware that many parties, including the Commission, have appealed the  
22 USF/ICC Order. However, in the meantime, Table Top and other rural ILECS must comply with  
23 all provisions of the USF/ICC Order and will remain subject to the increased local residential  
24 rate floors and the corresponding losses of federal support funds.

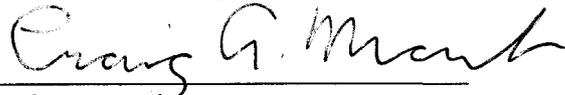
25 Table Top's loss of federal support funds would be particularly difficult to bear. As the  
26 attached schedules demonstrate, Table Top's return on investment is quite low at current rates.

1 In connection with this application, Table Top has filed exhibits which include a schedule  
2 of the specific rate changes requested and the impact of the revenue generated on the company's  
3 financial position. Table Top asks that the Commission determine the fair value of the  
4 company's investments for ratemaking purposes and stipulates to use original cost less  
5 depreciation for those purposes. Because the next opportunity to affect federal support funds is  
6 June 1, 2014, Table Top further asks that the Commission approve a local residential rate of up  
7 to \$19.00. At \$19.00, Table Top's return on rate base would still be quite low. The actual rate  
8 implemented would be set at the lower of the approved 2014 residential rate floor and \$19.00, so  
9 the actual return on rate base would be negative at any rate up to \$19.00. Table Top asks that the  
10 customer notice issued by the Hearing Division inform customers of this potential range of rate  
11 increases.

12 Table Top also asks to eliminate its current Zone 1 and Zone 2 surcharges so that all  
13 residential customers will pay the same base rate.

14 To facilitate processing of this application, Table Top also asks that the Commission  
15 waive any provisions of Commission Rule R14-2-103 not required by the Arizona Constitution  
16 and laws.

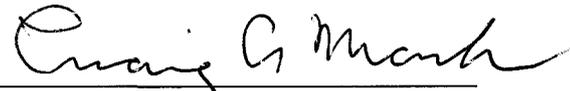
1 Respectfully submitted on December 4, 2013.

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**Original and 13 copies filed**  
on December 4, 2013, with:

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By:   
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