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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION
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DOCKETED BY 

IN THE MATTER OF THE APPLICATION OF
SOUTHWESTERN TELEPHONE COMPANY, AN
ARIZONA 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-01072A-13-0412

ORIGINAL

PROCEDURAL ORDER

BY THE COMMISSION:

On November 27, 2013, Southwestern Telephone Company ("Southwestern") filed with the Arizona Corporation Commission ("Commission") pursuant to A.R.S. §40-250 and Arizona Administrative Code ("A.A.C.") R14-2-103 for an increase in its residential rates in order to compensate for the rate impacts of the Federal Communication Commission's ("FCC") November 18, 2011, USF/ICC Transformation Order ("*USF/ICC Order*"). Southwestern requests that the Commission approve a basic local access line rate of the lesser of \$19.00, or the floor rate to be set by the FCC. In order to avoid the loss of federal funding for high-cost loop support, Southwestern requests that the new rates go into effect by June 1, 2014.

By Procedural Order dated January 23, 2014, the matter was set for hearing on March 25, 2014, and other procedural deadlines established, including the filing of the Staff Report by March 14, 2014.

On March 14, 2014, the Commission's Utilities Division ("Staff") filed a Request for Suspension of the Procedural Schedule. In its request, Staff states that the Wireline Competition Bureau has not yet determined the rate floor for June 1, 2014, and it is uncertain when the new rate floor will be set and the effective date of that rate floor. Staff states that on March 11, 2014, the

1 Eastern Rural Telecom Association (“ERTA”); the Independent Telephone & Telecommunications
2 Alliance (“ITTA”); NTCA – The Rural Broadband Association (“NTCA”); the National Exchange
3 Carrier Association (“NECA”); the United States Telecom Association (“US Telecom”); and WTA-
4 Advocates for Rural Broadband (“WTA”) (collectively the “Associations”) filed a request with the
5 FCC asking that the effective date for the as yet unannounced 2014 local service floor be extended
6 from July 1, 2014, to January 2, 2015. Staff believes that the FCC is likely to seek comment on the
7 Associations’ request before it makes any determination on the rate floor and whether to extend the
8 date for compliance. Because of these developments Staff does not believe that it would be
9 productive to proceed with this Application at this time, and requests a temporary suspension of the
10 procedural schedule until the FCC both sets the local service rate floor and gives guidance to carriers
11 and the states how to proceed, or the FCC rules on the Associations’ request for extension of time.
12 Staff suggests that the Commission proceed with public comments on the original hearing dates.

13 On March 17, 2014, Southwestern filed a Response to Staff Request. Southwestern states that
14 it understands that there has been a motion filed with the FCC that could mean, if granted, that the
15 FCC will delay setting a benchmark rate floor and delay the June 1, 2014, compliance date.
16 However, Southwestern asserts that there is no certainty that the FCC will grant any relief and the
17 FCC could still soon set a benchmark and effective date. Southwestern states that it can only support
18 Staff’s request with the understanding that if the FCC does require compliance with a new benchmark
19 by June 1, or shortly thereafter, that Staff and the Hearing Division will work with the affected
20 companies to resume the hearings as expeditiously as necessary so as to avoid any potential loss of
21 federal funds.

22 The hearings for the affected small telephone companies were set in an effort to have new
23 rates approved by June 1, 2014. Even if there is now some uncertainty as to the level and
24 implementation date of the new federally-mandated rate floor, the hearing process for approving new
25 rates is in place, and the Commission could proceed with a hearing as scheduled and be prepared to
26 approve new floor rates whenever the FCC issues a final order. To postpone the hearing could create
27 a scheduling problem if the federal proceedings only result in a short postponement. If the record
28 requires supplementation after the hearing, parties could file additional information concerning the

1 FCC's final actions, possibly without having to recall witnesses. Because they have known the
2 hearing date since January, witnesses should be prepared and available; and the matter has been
3 noticed such that the Commission would need to convene to take public comment in any case,
4 therefore, efficiency warrants proceeding with the hearing.

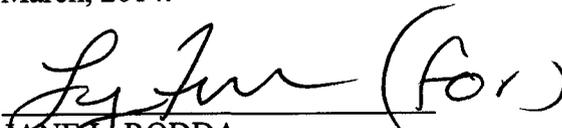
5 IT IS THEREFORE ORDERED that Staff's Request is denied and the **hearing** in this matter
6 shall commence on **March 25, 2014**, commencing at **2:00 p.m.**, or as soon thereafter as practicable,
7 as currently scheduled.

8 IT IS FURTHER ORDERED that Staff shall file its **Staff Report and/or direct testimony**,
9 and associated exhibits as soon as possible and not later than **March 20, 2014**.

10 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
11 Communications) applies to this proceeding and shall remain in effect until the Commission's
12 Decision in this matter is final and non-appealable.

13 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
14 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
15 hearing.

16 DATED this 18th day of March, 2014.

17
18 
19 JANELL RODDA
ADMINISTRATIVE LAW JUDGE

20 Copies of the foregoing mailed/delivered
21 this 18th day of March, 2014, to:

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