

# OPEN MEETING



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## MEMORANDUM

### ORIGINAL

Arizona Corporation Commission  
**DOCKETED**  
MAR 20 2014  
2014 MAR 20 PM 4 22

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: March 20, 2014

RE: IN THE MATTER OF THE APPLICATION OF COX ARIZONA TELCOM, L.L.C. DBA COX COMMUNICATIONS TARIFF FILING TO INCREASE MAX RATES FOR BUSINESS LOCAL ACCESS LINE FLAT-RATE SERVICE AND MEASURED-RATE SERVICE (DOCKET NO. T-03471A-14-0015)

DOCKETED BY 

#### Introduction

On January 16, 2014, Cox Arizona Telcom, L.L.C. ("Cox" or "Company") filed revisions to its Local Exchange Service Tariff to increase maximum recurring rates for certain business services. On January 27, 2014, Cox filed Amended Tariff Revisions to include proposed maximum rate increases for its Cox Unlimited Call Plan. 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 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 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 Amended Tariff Revisions, Cox proposes to increase maximum recurring rates for 15 business services. The proposed increases are listed in Exhibit 1 attached to this Memorandum. Cox does not propose to increase any rate that it currently charges its customers at this time.

#### Background

On January 29, 2014, Staff issued its First Set of Data Requests. On February 24, 2014, a Confidentiality Agreement was signed between Staff and Cox. On February 26, 2014, Cox provided responses to Staff's First Set of Data Requests.

Cox states that approval of the proposed maximum recurring rate increases are being sought for the following reason:

Cox's recurring 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 which it is unable to do at its current maximum rates. Cox is seeking higher maximum rates to enable it to react to market forces and price its services accordingly, something it cannot do with the current maximum rate pricing in its tariff today.

#### Staff's Analysis

On February 26, 2014, Cox provided Staff with a copy of the Customer Notice that informs the impacted customers of the proposed rate changes. The Customer Notice is in the form of a bill message, one paragraph in length, informing customers of the application filed with the Commission and directing customers with questions to contact Cox at 1-877-982-5907. In addition, those customers with further questions are directed to contact the Consumer Services Section of the Commission at 602-542-4251 or 800-222-7000 or by visiting the Commission's website. 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 affected business customers through the billing period of February 19 – March 19, 2014. If approved by the Commission, Cox indicated in its response to Staff that the maximum rates will become effective on April 19, 2014, sixty (60) days after first notifying customers of the proposed maximum rate increases.

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.

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 4 percent. Since Cox will not be raising the actual or current rates corresponding to the 15 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 rates are comparable to the rates for similar services provided by other telecommunications companies operating in the State of Arizona. Staff believes they are just and reasonable. 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\ML

ORIGINATOR: Pamela J. Genung



1 pursuant to Arizona Administrative Code (“A.A.C.”) R14-2-1108 of the Commission’s  
2 Competitive Telecommunications Services Rules. The pricing and rate change provision of  
3 A.A.C. R14-2-1109 and A.A.C. R14-2-1110 apply to changes in either the price levels or  
4 maximum rates for services provided by Cox. A.A.C. R14-2-1109 allows Cox to price a  
5 competitive telecommunications service at any level at or below the maximum rate stated in the  
6 Company’s tariff on file with the Commission, provided that the price for the service is not less  
7 than the Company’s total service long-run incremental (marginal) cost of providing the service.  
8 Pursuant to A.A.C. R14-2-1110, Cox is required to submit the following information in order to  
9 increase the maximum rates for a competitive telecommunications service:

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

15       6. In its Amended Tariff Revisions, Cox proposes to increase maximum recurring rates  
16 for 15 business services. Cox does not propose to increase any that it currently charges its  
17 customers at this time.

18 Background

19       7. On January 29, 2014, Staff issued its First Set of Data Requests. On February 24,  
20 2014, a Confidentiality Agreement was signed between Staff and Cox. On February 26, 2014,  
21 Cox provided responses to Staff’s First Set of Data Requests.

22       8. Cox states that approval of the proposed maximum recurring rate increases are being  
23 sought for the following reason:

24       Cox’s recurring services are priced to reflect the competitive market in which Cox  
25 operates. Since market prices fluctuate, Cox is seeking the ability to price its services  
26 based on competitive reactions which it is unable to do at its current maximum rates.  
27 Cox is seeking higher maximum rates to enable it to react to market forces and price its  
28 services accordingly, something it cannot do with the current maximum rate pricing in  
its tariff today.

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1 Staff's Analysis

2 9. On February 26, 2014, Cox provided Staff with a copy of the Customer Notice that  
3 informs the impacted customers of the proposed rate changes. The Customer Notice is in the form  
4 of a bill message, one paragraph in length, informing customers of the application filed with the  
5 Commission and directing customers with questions to contact Cox at 1-877-982-5907. In  
6 addition, those customers with further questions are directed to contact the Consumer Services  
7 Section of the Commission at 602-542-4251 or 800-222-7000 or by visiting the Commission's  
8 website. Cox also provided Staff with an Affidavit of Mailing indicating that the bill message is  
9 being sent out to all of Cox Arizona Telcom, LLC's affected business customers through the  
10 billing period of February 19 – March 19, 2014. If approved by the Commission, Cox indicated in  
11 its response to Staff that the maximum rates will become effective on April 19, 2014, sixty (60)  
12 days after first notifying customers of the proposed maximum rate increases.

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

17 Staff's Conclusions

18 11. The proposed rate increases contained in this filing are for services that have been  
19 classified as competitive by the Commission and that are now subject to the Commission's  
20 Competitive Telecommunications Services Rules. Under those Rules, rates for competitive  
21 services are not set according to rate of return regulation standards. Staff requested information  
22 from Cox to allow it to determine the potential effects of approval of the filing. Cox provided  
23 information indicating that if it raised all of its rates to the new maximum rates requested in this  
24 docket, the expected effect of this filing would be an increase to Cox's annualized Arizona  
25 revenues of less than 4 percent. Since Cox will not be raising the actual or current rates  
26 corresponding to the 15 services in this application, the initial market impact will be zero.

27 12. Staff obtained information regarding Cox's fair value rate base. Due to the nature of  
28 the competitive market and other factors, a fair value analysis is not necessarily representative of

1 the Company's operations. Therefore, while Staff considered the fair value rate base information  
2 of Cox, it did not accord that information substantial weight in its analysis of this matter.

3 13. The proposed maximum recurring rates are comparable to the rates for similar services  
4 provided by other telecommunications companies operating in the State of Arizona. Staff believes  
5 they are just and reasonable. In addition, the rates ultimately charged by Cox will be heavily  
6 influenced by the market.

7 Staff's Recommendation

8 14. Staff recommends approval of this application.

9 CONCLUSIONS OF LAW

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

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

14 3. The Commission, having reviewed the filing and Staff's Memorandum dated March  
15 20, 2014, concludes that the proposed tariff revisions as discussed herein are reasonable, fair and  
16 equitable and therefore in the public interest.

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ORDER

IT IS THEREFORE ORDERED that the proposed tariff revisions requested by Cox Arizona Telcom, L.L.C. and shown on the attached Exhibit 1 be and hereby are approved.

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

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

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CHAIRMAN

COMMISSIONER

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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 \_\_\_\_\_, 2014.

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JODI JERICH  
EXECUTIVE DIRECTOR

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

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

SMO:PJG:sms\ML

1 SERVICE LIST FOR: Cox Arizona Telcom, L.L.C.  
2 DOCKET NO. T-03471A-14-0015

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  
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# EXHIBIT 1

Service	Current Rate	Present Maximum Rate	Proposed Maximum Rate
Monthly Recurring - Business, Local Access Line Flat-Rate Service, Per Business Line, Mo.-to-Mo.	\$ 32.00	\$ 32.00	\$ 40.00
Monthly Recurring - Business, Local Access Line Flat-Rate Service, Per Business Line, 1 Year	\$ 30.00	\$ 30.00	\$ 40.00
Monthly Recurring - Business, Local Access Line Flat-Rate Service, Per Business Line, 2 Year	\$ 30.00	\$ 30.00	\$ 40.00
Monthly Recurring - Business, Local Access Line Flat-Rate Service, Per Business Line, 3 Year	\$ 30.00	\$ 30.00	\$ 40.00
Monthly Recurring - Business, Local Access Line Flat-Rate Service, Per Business Line, 4 Year	\$ 30.00	\$ 30.00	\$ 40.00
Monthly Recurring - Business, Local Access Line Flat-Rate Service, Per Business Line, 5 Year	\$ 28.00	\$ 30.00	\$ 40.00
Monthly Recurring - Business, Local Access Line Measured-Rate Service	\$ 15.00	\$ 15.00	\$ 25.00
Monthly Recurring - Business Unlimited LD Call Plan, Standalone Service	\$ 25.00	\$ -	\$ 40.00
Monthly Recurring - Business Unlimited LD Call Plan, Bundled Services, 1 Year Term	\$ 22.50	\$ -	\$ 40.00
Monthly Recurring - Business Unlimited LD Call Plan, Bundled Services, 2 Year Term	\$ 21.25	\$ -	\$ 40.00
Monthly Recurring - Business Unlimited LD Call Plan, Bundled Services, 3 Year Term	\$ 20.00	\$ -	\$ 40.00
Monthly Recurring - Business Unlimited LD Call Plan Bundled with iVoIP Anywhere or Office Packages, Standalone Service	\$ 15.00	\$ -	\$ 30.00
Monthly Recurring - Business Unlimited LD Call Plan Bundled with iVoIP Anywhere or Office Packages, Bundled Services, 1 Year Term	\$ 15.00	\$ -	\$ 30.00
Monthly Recurring - Business Unlimited LD Call Plan Bundled with iVoIP Anywhere or Office Packages, Bundled Services, 2 Year Term	\$ 15.00	\$ -	\$ 30.00
Monthly Recurring - Business Unlimited LD Call Plan Bundled with iVoIP Anywhere or Office Packages, Bundled Services, 3 Year Term	\$ 15.00	\$ -	\$ 30.00