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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

AZ CORP COMMISSION
DOCKET CONTROL

2014 JUL 1 AM 9 38

ORIGINAL

IN THE MATTER OF THE APPLICATION OF ARIZONA 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-02063A-13-0411
Arizona Corporation Commission

DOCKETED

JUL 1 2014

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PROCEDURAL ORDER

BY THE COMMISSION:

On November 27, 2013, Arizona Telephone Company ("Arizona Telephone") 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*"). In its application, Arizona Telephone requested 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, and in order to avoid the loss of federal funding for high-cost loop support, 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.

On March 21, 2014, Arizona Telephone filed a Notice of the new FCC Rate Floor, attaching a copy of the FCC's Public Notice DA14-384 dated March 20, 2014, in which the FCC announced a floor of \$20.46. The FCC did not extend the June 1, 2014, deadline for implementing the new floor rate.

The hearing convened as scheduled on March 25, 2014, at which time Arizona Telephone

1 requested that its local exchange rates be set at the FCC Floor Rate of \$20.46. Staff recommended
2 that the local exchange rate be set no higher than \$19.00, because that was the maximum rate
3 requested in the application.

4 On April 23, 2014, the FCC met in Open Meeting and, as it relates to this proceeding, adopted
5 a Seventh Order on Reconsideration of its *USF/ICC Order* and a Notice of Further Rulemaking, in
6 which it purportedly delayed imposition of the rule increasing the local service rate floor from June 1,
7 2014, until December 2014, and indicated that it would phase-in the full impact of the rule over a
8 multi-year period.

9 On April 28, 2014 and May 7, 2014, the affected carriers and Staff participated in two
10 telephonic procedural conferences to discuss the implications of the FCC's actions and whether the
11 Commission needed to approve new rates by June 1, 2014, in order to preserve the current levels of
12 federal high cost loop support. The Order adopted at the FCC's April 23, 2014 Open Meeting, had
13 not yet been released, and no party was certain of its specific provisions. Staff recommended
14 delaying Commission action on the rate applications until the FCC's actions were known, however
15 without knowing the details of the forthcoming order, the carriers were reluctant to risk not having
16 new rates in place by June 1st. On or about May 8, 2014, based on additional information, the affected
17 carriers agreed that the Commission could delay taking action on their rate applications until the
18 FCC's Order was released.

19 The FCC's Order was released on June 10, 2014. This Order grants a waiver of the provision
20 that would cut high cost loop support for carriers if their rates are \$14 or higher as of June 1, 2014.
21 In addition, it establishes a phase-in of the floor rate that calls for local rates to be at or above \$16 by
22 December 1, 2014, at or above \$18 by June 1, 2016, and at or above \$20 by June 1, 2017.¹

23 Given the events at the federal level, the Commission now seeks revised substantive and
24 procedural recommendations for how to proceed in these dockets. Specifically, what rates and time
25 frame for implementation, do the parties now recommend? Can, or should, the Commission
26 implement the recommended rates without re-opening the hearing? Given intervening events and any

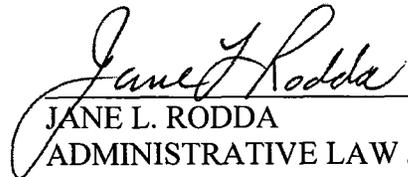
27 ¹ *Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration*
28 *and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90, WT Docket No. 10-208, WC Docket No. 14-58,
WC Docket No. 07-135, CC Docket No. 01-92, Released June 10, 2014 ("Seventh Reconsideration Order") at ¶ 80.

1 new recommendations, have these matters been adequately noticed? What are the procedural
2 recommendations for addressing future rate increases beyond December 1, 2014?²

3 IT IS THEREFORE ORDERED that **the parties shall file updated substantive and**
4 **procedural recommendations** for further action in this docket, as discussed herein, by **July 31,**
5 **2014.**

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

9 DATED this 1st day of July, 2014.

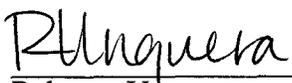
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11 
12 JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

13 Copies of the foregoing mailed/delivered
14 this 1st day of July, 2014, to:

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27
28 ² The parties are not limited to these questions and should consider a process for future rate increases that accommodates the FCC's multi-year phase-in and comports with Commission policies and rules for processing rate cases.