

OPEN MEETING AGENDA ITEM



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**COMMISSIONERS**  
BOB STUMP – Chairman  
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Chief Administrative Law Judge

ARIZONA CORPORATION COMMISSION

2014 OCT 10 P 2:04

October 10, 2014

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

ORIGINAL

TO: ALL PARTIES OF RECORD

RE: 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 USE/ICC TRANSFORMATION ORDER. DOCKET NO. T-01072A-13-0412

The Recommended Opinion and Order in the above-captioned matter that was mailed to you on September 29, 2014, contained a typographical error. The following change is being made to the original Recommended Opinion and Order:

Page 2, line 22 ½ (Footnote 1):

DELETE: "2001"  
INSERT: "2011"

Please make a note of this change on your copy of the Recommended Opinion and Order. The deadline for filing exceptions is unchanged.

Arizona Corporation Commission

DOCKETED

OCT 10 2014

DOCKETED BY

Sincerely,

Jane L. Rodda  
Administrative Law Judge

SERVICE LIST FOR:

SOUTHWESTERN TELEPHONE COMPANY

DOCKET NO.:

T-01072A-13-0412

Mr. Craig Marks  
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Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

1 compensate for the rate impacts of the Federal Communication Commission's ("FCC") November  
 2 18, 2011, *USF/ICC Order*.<sup>1</sup> In its Application, Southwestern requested that the Commission approve  
 3 a basic residential local access line rate of the lesser of \$19.00, or the floor rate to be set by the FCC.  
 4 In order to avoid the loss of federal funding for high-cost loop support, Southwestern requested that  
 5 the new rates go into effect by June 1, 2014.<sup>2</sup>

6 2. On December 17, 2013, Southwestern filed a Time Clock Waiver in order to allow  
 7 additional time for the Commission to determine procedures for processing the Application.

8 3. In a Special Open Meeting on January 14, 2014, the Commission agreed to adopt a  
 9 proposal by the Commission's Utilities Division ("Staff") that would not require Southwestern to file  
 10 all of the schedules normally required under A.A.C. R14-2-103 for rate applications because of the  
 11 short time frame when new rates must be in effect under the FCC directive.<sup>3</sup>

12 4. By Procedural Order dated January 15, 2014, a Procedural Conference was held on  
 13 January 22, 2014, to discuss the timing of the hearing in this matter and other procedural matters.  
 14 Southwestern and Staff appeared through counsel and agreed on a process to govern this matter.

15 5. By Procedural Order dated January 23, 2014, the matter was set for hearing on March  
 16 25, 2014, and other procedural guidelines established.

17 6. On January 29, 2014, Southwestern docketed a "Supplemental Filing" that included a  
 18 schedule showing the effect on the Company's rate of return if the FCC's Wireline Competition  
 19 Bureau set \$17.50 as the monthly residential rate floor to be in effect as of June 1, 2014.<sup>4</sup>

20 ...

21

22 <sup>1</sup> FCC 11-161, Connect America Fund, WC Docket No. 10-90 et al., *Report and Order and Further Notice of Proposed*  
*Rulemaking*, 26 FCC Rcd 17663 (November 18, 2011) ("*USF/ICC Order*").

23 <sup>2</sup> Six rural Arizona incumbent local exchange carriers ("ILECs") filed similar rate case applications around the same time  
 24 in order to comply with the FCC's *USF/ICC Order*. All six were represented by the same legal counsel and several of the  
 25 carriers have common ownership. Although separate hearings were held for each entity, the proceedings were  
 26 coordinated to promote efficiency. The dockets are: Docket No. T-02063A-13-0411 (Arizona Telephone Company);  
 27 Docket No. T-01072A-13-0412 (Southwestern Telephone Company); Docket No. T-01923A-13-0428 (South Central  
 28 Utah Telephone Association, Inc.); Docket No. T-02724A-13-0416 (Table Top Telephone Company, Inc.); Docket No.  
 T-01847A-13-0457 (Valley Telephone Cooperative, Inc.); and Docket No. T-02727A-13-0458 (Copper Valley  
 Telephone, Inc.). Arizona Telephone Company and Southwestern Telephone Company have the same parent company,  
 and Valley Telephone Cooperative, Inc. owns Copper Valley Telephone, Inc.

<sup>3</sup> The streamlined filing, as recommended by Staff, included schedules showing: adjusted test year results; adjustments;  
 Year-2 FCC *USF/ICC Order* impacts; rate base; working capital; and rate design.

<sup>4</sup> At that time, Southwestern believed that the FCC's new floor rate would be close to \$17.50 per month.