

OPEN MEETING ITEM

COMMISSIONERS  
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BOB STUMP  
BOB BURNS  
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ARIZONA CORPORATION COMMISSION RECEIVED

DATE: FEBRUARY 6, 2015

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DOCKET NO.: T-20907A-14-0075

AZ CORP COMMISSION  
DOCKET CONTROL

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sasha Paternoster. The recommendation has been filed in the form of an Opinion and Order on:

CAMPUS COMMUNICATIONS GROUP, INC.  
(CC&N / FACILITIES-BASED)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

FEBRUARY 16, 2015

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

MARCH 2, 2015 and MARCH 3, 2015

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission  
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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

SUSAN BITTER SMITH - Chairman  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE

IN THE MATTER OF THE APPLICATION OF  
CAMPUS COMMUNICATIONS GROUP, INC.  
FOR APPROVAL OF A CERTIFICATE OF  
CONVENIENCE AND NECESSITY TO PROVIDE  
FACILITIES-BASED LOCAL EXCHANGE AND  
FACILITIES-BASED LONG DISTANCE  
TELECOMMUNICATIONS SERVICES.

DOCKET NO. T-20907A-14-0075

DECISION NO. \_\_\_\_\_

**OPINION AND ORDER**

DATE OF HEARING: January 12, 2015  
PLACE OF HEARING: Phoenix, Arizona  
ADMINISTRATIVE LAW JUDGE: Sasha Paternoster  
APPEARANCES: Mr. Michael Sillyman, KUTAK ROCK, LLP, on behalf  
of Applicant; and  
Mr. Matthew Laudone, Staff Attorney, Legal Division,  
on behalf of the Utilities Division of the Arizona  
Corporation Commission.

**BY THE COMMISSION:**

On March 4, 2014, Campus Communications Group, Inc. ("CCG" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("CC&N"), to provide facilities-based local exchange and facilities-based long distance telecommunications services within the State of Arizona. CCG's application also requested a determination that its proposed services are competitive in Arizona.

On May 19, 2014, CCG filed a response to Commission's Utilities Division's ("Staff") First Set of Data Requests.

On June 24, 2014, CCG filed a letter to revise Exhibits C and D which were attached to its response filed on May 19, 2014.

On July 25, 2014, CCG filed a response to Staff's Second Set of Data Requests.

1 On August 12, 2014, CCG filed Supplemental Responses to Staff's Second Set of Data  
2 Requests.

3 On November 5, 2014, Staff filed its Staff Report recommending approval of CCG's  
4 application, subject to certain conditions.

5 On November 6, 2014, by Procedural Order, the hearing in this matter was set for January 12,  
6 2015, and other procedural deadlines were established.

7 On December 4, 2014, CCG filed an Affidavit of Publication indicating that notice of the  
8 application and hearing date had been published in the *Arizona Republic*, a newspaper of general  
9 circulation in Arizona.

10 On January 9, 2015, CCG filed a Request to Allow Witness to Appear Telephonically  
11 ("Request") for the January 12, 2015 hearing. The Request also stated that Staff had no objection to  
12 the witness appearing telephonically.

13 On January 12, 2015, a full public hearing was held as scheduled before a duly authorized  
14 Administrative Law Judge of the Commission. CCG and Staff appeared through counsel and  
15 presented testimony and evidence. No members of the public appeared to give comments on the  
16 application. At the conclusion of the hearing, the matter was taken under advisement pending  
17 submission of a Recommended Opinion and Order to the Commission.

18 \* \* \* \* \*

19 Having considered the entire record herein and being fully advised in the premises, the  
20 Commission finds, concludes, and orders that:

21 **FINDINGS OF FACT**

22 1. CCG is a foreign limited liability company organized under the laws of Delaware,  
23 with its principal office located in Champaign, Illinois.<sup>1</sup> CCG's parent company is Pavlov Media,  
24 Inc.

25 2. On March 4, 2014, CCG filed an application with the Commission to provide  
26 facilities-based local exchange telecommunication services in Arizona. On August 12, 2014, the  
27

28 \_\_\_\_\_  
<sup>1</sup> Exhibit S-1 at 1.

1 Company filed responses to Staff's Second Set of Data Requests which included CCG's request to  
2 add facilities-based long distance telecommunications services to the list of services for which it  
3 sought a CC&N and revised pages of its application to reflect that request. CCG's application also  
4 requested a determination that its proposed services are competitive in Arizona.

5 3. Notice of CCG's application was given in accordance with the law.

6 4. Staff recommends approval of CCG's application for a CC&N to provide intrastate  
7 telecommunication services in Arizona, subject to the following conditions:

8 a. CCG comply with all Commission Rules, Orders, and other requirements  
9 relevant to the provision of intrastate telecommunications services;

10 b. CCG abides by the quality of service standards that were approved by the  
11 Commission for Qwest in Docket No. T-01051B-13-0199;

12 c. CCG be prohibited from barring access to alternative local exchange service  
13 providers who wish to serve areas where CCG is the only local provider of  
14 local exchange service facilities;

15 d. CCG notify the Commission immediately upon changes to CCG's name,  
16 address or telephone number;

17 e. CCG cooperate with Commission investigations including, but not limited to,  
18 customer complaints;

19 f. The rates proposed by Staff are for competitive services. In general, rates for  
20 competitive services are not set according to rate of return regulation. Staff  
21 obtained information from CCG and has determined that its fair value rate base  
22 is \$250,000. Staff has reviewed the rates to be charged by CCG and believes  
23 they are just and reasonable as they are comparable to other competitive local  
24 carriers and local incumbent carriers offering service in Arizona and  
25 comparable to the rates the Company charges in other jurisdictions. The rate  
26 to be ultimately charged by the Company will be heavily influenced by the  
27 market. Therefore, while Staff considered the fair value rate base information  
28 submitted by the Company, the fair value information provided was not given  
substantial weight in this analysis;

g. CCG offer Caller ID with the capability to toggle between blocking and  
unblocking the transmission of the telephone number at no charge;

h. CCG offer Last Call Return service that will not return calls to telephone  
numbers that have the privacy indicator activated; and

i. The Commission authorizes CCG to discount its rates and service charges to  
the marginal cost of providing the services.

5. Staff further recommends that CCG's CC&N be considered null and void after due  
process if CCG fails to comply with the following conditions:

- 1 a. CCG shall docket a conforming tariff for each service within its CC&N within  
 2 365 days from the date of a Decision in this matter or 30 days prior to  
 3 providing service, whichever comes first. The tariffs submitted shall coincide  
 4 with the Application;
- 5 b. CCG shall notify the Commission through a compliance filing within 30 days  
 6 of the commencement of service to its first end-user customer; and
- 7 c. CCG shall abide by the Commission adopted rules that address Universal  
 8 Service in Arizona. A.A.C. R-14-2-1204(A) indicates that all  
 9 telecommunications service providers that interconnect into the public  
 10 switched network shall provide funding for the Arizona Universal Service  
 11 Fund ("AUSF"). The Company will make the necessary monthly payments  
 12 required by A.A.C. R-14-2-1204(B).

13 6. Staff also recommends CCG's proposed services be classified as competitive given the  
 14 availability of alternatives, the inability of the Company to adversely affect the local exchange or  
 15 long distance service markets, and CCG's lack of market power.

#### 16 Technical Capability

17 7. CCG has authority to provide telecommunications services in Florida, Georgia,  
 18 Illinois, Kentucky, North Carolina, and Texas.<sup>2</sup>

19 8. CCG's officer/director has eighteen (18) years of experience in the  
 20 telecommunications field.<sup>3</sup>

21 9. CCG intends to provide its proposed services to business end users.<sup>4</sup> The Company  
 22 will not provide residential telephone service in Arizona.<sup>5</sup>

23 10. CCG will not have a customer service center or employees in Arizona. However, the  
 24 Company will utilize its parent company to provide technicians to service and repair facilities leased  
 25 from other carriers in Arizona. CCG will handle customer complaints received via its toll-free  
 26 number through the Company's customer service department.<sup>6</sup>

27 11. CCG will not have a telecommunications switch in Arizona but, instead will rely on its  
 28 switch in Bloomington, Illinois and its redundant link in Chicago.<sup>7</sup>

...

<sup>2</sup> Transcript at 11-12.

<sup>3</sup> Exhibit S-1 at 1.

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> Id. at 2.

<sup>7</sup> Id.

1           12.       Staff believes CCG has the technical capabilities to provide its proposed services in  
2 Arizona.

3 **Financial Capabilities**

4           13.       CCG provided audited financial statements for the twelve (12) months ending  
5 December 31, 2012, listing total assets of \$3,494; total equity of negative \$358,863; and a net income  
6 of negative \$5,167.<sup>8</sup> For the twelve (12) months ending December 31, 2013, CCG listed total assets  
7 of \$2,801,827; total equity of negative \$400,643; and a net income of negative \$41,780.<sup>9</sup>

8 **Rates and Charges**

9           14.       Staff believes that CCG will have to compete with other incumbent local exchange  
10 carriers (“ILECs”), and various competitive local exchange (“CLECs”), and interexchange carriers  
11 (“IXCs”) in Arizona in order to gain new customers.<sup>10</sup> Staff states it does not believe that CCG will  
12 be able to exert market power given its status as a new entrant in the market.<sup>11</sup>

13           15.       Pursuant to A.A.C. R14-2-1109, the rates charged for each service CCG proposes to  
14 provide may not be less than the Company’s total service long-run incremental cost of providing that  
15 service.

16           16.       CCG indicated its fair value rate base (“FVRB”) is \$250,000.<sup>12</sup>

17           17.       Staff states that in general, rates for competitive services are not set according to rate  
18 of return regulation. Staff believes that CCG’s rates will be heavily influenced by the market.<sup>13</sup> Staff  
19 reviewed CCG’s proposed tariff pages, the rate comparison information of other CLECs and ILECs  
20 and Staff believes that CCG’s proposed rates are comparable to the rates charged by CLECs and  
21 ILECs providing service in Arizona.<sup>14</sup> Therefore, Staff states that while it considered the FVRB  
22 information submitted by CCG, that information was not afforded substantial weight in Staff’s  
23 analysis.<sup>15</sup>

24 \_\_\_\_\_  
25 <sup>8</sup> Exhibit S-1 at 2.

26 <sup>9</sup> Id.

27 <sup>10</sup> Id.

28 <sup>11</sup> Id. at 2-3.

<sup>12</sup> Id. at 3.

<sup>13</sup> Id.

<sup>14</sup> Id.

<sup>15</sup> Id.

**Local Exchange Carrier Specific Issues**

18. Pursuant to A.A.C. R14-2-1308(A) and federal laws and rules, CCG will make number portability available to facilitate the ability of customers to switch between authorized local carriers within a given wire center without changing their telephone number and without impairment to quality, functionality, reliability, or convenience of use.

19. Pursuant to A.A.C. R14-2-1204(A) all telecommunication service providers that interconnect to the Public Switch Telephone Network shall provide funding for the AUSF. CCG shall make payments to the AUSF described under A.A.C. R14-2-1204(B).

20. In Commission Decision No. 74208 (December 3, 2013), the Commission approved quality of service standards for Qwest to insure customers received a satisfactory level of service. In this matter, Staff believes CCG should be ordered to abide by those service standards.

21. In the areas where the Company is the only local exchange service provider, Staff recommends that CCG be prohibited from barring access to alternative local exchange service providers who wish to serve the area.

22. CCG will provide all customers with 911 and E911 service where available, or will coordinate with ILECs and emergency service providers to facilitate the service.

23. Pursuant to prior Commission Decisions, CCG may offer customer local area signaling services such as Caller ID and Call Blocking, so long as the customer is able to block or unblock each individual call at no additional cost.

24. CCG must offer Last Call Return service, which will not allow the return of calls to the telephone numbers that have the privacy indicator activated.

**Complaint Information**

25. CCG's application states that the Public Utility Commission of Texas filed a Petition to Revoke CCG's Service Provider Certificate of Operating Authority on November 1, 2012, alleging the Company failed to submit quarterly access line reports as required.<sup>16</sup> CCG attached documentation to its application to show the Company had come into compliance and that the matter

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<sup>16</sup> Exhibit S-1 at 5.

1 had been dismissed.<sup>17</sup>

2 26. CCG states that none of the Company's officers, directors, partners or managers have  
3 been involved in any civil or criminal investigations, or had judgments entered in any civil matter, or  
4 by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten  
5 (10) years.<sup>18</sup>

6 27. According to CCG, the Company has not had an application for authority to provide  
7 service denied in any state or jurisdiction.<sup>19</sup>

8 28. As of the filing of the Staff Report, CCG had no complaints filed with the Federal  
9 Communications Commission ("FCC").<sup>20</sup>

10 **Competitive Review**

11 29. CCG's application requests that its proposed telecommunication services in Arizona  
12 be classified as competitive. Staff believes CCG's proposed services should be classified as  
13 competitive because CCG will have to compete with CLECs and ILECs to gain customers; there are  
14 alternative providers to CCG's proposed services; ILECs hold a virtual monopoly in local exchange  
15 and IXC markets; and that CCG will not have the ability to adversely affect the local exchange or  
16 IXC markets in Arizona.<sup>21</sup>

17 30. Based on the above factors, Staff concludes that CCG's proposed services should be  
18 classified as competitive.

19 31. Staff's recommendations are reasonable and should be adopted.

20 **CONCLUSIONS OF LAW**

21 1. CCG is a public service corporation within the meaning of Article XV of the Arizona  
22 Constitution, A.R.S. §§ 40-281 and 40-282.

23 2. The Commission has jurisdiction over CCG and the subject matter of the application.

24 3. Notice of the application was given in accordance with the law.

25

26 <sup>17</sup> Exhibit S-1 at 5.

27 <sup>18</sup> Exhibit A-1 at A-12.

<sup>19</sup> Exhibit S-1 at 5.

<sup>20</sup> Exhibit S-1 at 4-5.

28 <sup>21</sup> Exhibit S-1 at 5-7.

1 4. A.R.S. § 40-282 allows a telecommunications company to file an application for a  
2 CC&N to provide competitive telecommunication services.

3 5. Pursuant to Article XV of the Arizona Constitution, as well as the Arizona Revised  
4 Statutes, it is in the public interest for CCG to provide the telecommunication services set forth in its  
5 application.

6 6. The telecommunication services CCG intends to provide are competitive within  
7 Arizona.

8 7. Pursuant to Article XV of the Arizona Constitution as well as the Competitive Rules,  
9 it is just and reasonable and in the public interest for CCG to establish rates and charges that are not  
10 less than CCG's total service long-run incremental costs of providing the competitive services  
11 approved herein.

12 8. Staff's recommendations are reasonable and should be adopted.

13 **ORDER**

14 IT IS THEREFORE ORDERED that the application of Campus Communications Group, Inc.  
15 for a Certificate of Convenience and Necessity to provide facilities-based long distance and facilities-  
16 based local exchange telecommunication services in Arizona is hereby approved, subject to the  
17 conditions set forth herein in Finding of Facts Nos. 4 and 5.

18 IT IS FURTHER ORDERED that Campus Communications Group, Inc.'s telecommunication  
19 services are competitive in Arizona.

20 IT IS FURTHER ORDERED that if Campus Communications Group, Inc. fails to comply  
21 with the Staff conditions described in Finding of Fact No. 5, the Certificate of Convenience and  
22 Necessity granted herein shall be considered null and void after due process.

23 IT IS FURTHER ORDERED that Campus Communications Group, Inc., shall docket  
24 conforming tariffs for each service within its CC&N within 365 days of the effective date of this  
25 Decision or 30 days prior to serving its first customer, whichever comes first. The tariffs submitted  
26 shall coincide with the application in this matter.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

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 the Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_  
SP:ru

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