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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission
DOCKETED
MAR 16 2015
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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. 74981

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.

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

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

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

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

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

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

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

FINDINGS OF FACT

1. CCG is a foreign limited liability company organized under the laws of Delaware, with its principal office located in Champaign, Illinois.[1] CCG's parent company is Pavlov Media, Inc.

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

[1] Exhibit S-1 at 1.

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

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

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

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

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

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

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

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

f. The rates proposed by Staff are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from CCG and has determined that its fair value rate base is $250,000. Staff has reviewed the rates to be charged by CCG and believes they are just and reasonable as they are comparable to other competitive local carriers and local incumbent carriers offering service in Arizona and comparable to the rates the Company charges in other jurisdictions. The rate to be ultimately charged by the Company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information 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:

a. CCG shall docket a conforming tariff for each service within its CC&N within 365 days from the date of a Decision in this matter or 30 days prior to providing service, whichever comes first. The tariffs submitted shall coincide with the Application;

b. CCG shall notify the Commission through a compliance filing within 30 days of the commencement of service to its first end-user customer; and

c. CCG shall abide by the Commission adopted rules that address Universal Service in Arizona. A.A.C. R-14-2-1204(A) indicates that all telecommunications service providers that interconnect into the public switched network shall provide funding for the Arizona Universal Service Fund ("AUSF"). The Company will make the necessary monthly payments required by A.A.C. R-14-2-1204(B).

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

Technical Capability

7. CCG has authority to provide telecommunications services in Florida, Georgia, Illinois, Kentucky, North Carolina, and Texas.[2]

8. CCG's officer/director has eighteen (18) years of experience in the telecommunications field.[3]

9. CCG intends to provide its proposed services to business end users.[4] The Company will not provide residential telephone service in Arizona.[5]

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

11. CCG will not have a telecommunications switch in Arizona but, instead will rely on its switch in Bloomington, Illinois and its redundant link in Chicago.[7]

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[2] Transcript at 11-12.
[3] Exhibit S-1 at 1.
[4] Id.
[5] Id.
[6] Id. at 2.
[7] Id.

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

Financial Capabilities

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

Rates and Charges

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

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

16. CCG indicated its fair value rate base ("FVRB") is $250,000.[12]

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

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[8] Exhibit S-1 at 2.
[9] Id.
[10] Id.
[11] Id. at 2-3.
[12] Id. at 3.
[13] Id.
[14] Id.
[15] 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.[16] CCG attached documentation to its application to show the Company had come into compliance and that the matter

[16] Exhibit S-1 at 5.

had been dismissed.[17]

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

27. According to CCG, the Company has not had an application for authority to provide service denied in any state or jurisdiction.[19]

28. As of the filing of the Staff Report, CCG had no complaints filed with the Federal Communications Commission ("FCC").[20]

Competitive Review

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

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

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

CONCLUSIONS OF LAW

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

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

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

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[17] Exhibit S-1 at 5.
[18] Exhibit A-1 at A-12.
[19] Exhibit S-1 at 5.
[20] Exhibit S-1 at 4-5.
[21] Exhibit S-1 at 5-7.

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

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

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

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

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

ORDER

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

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

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

IT IS FURTHER ORDERED that Campus Communications Group, Inc., shall docket conforming tariffs for each service within its CC&N within 365 days of the effective date of this Decision or 30 days prior to serving its first customer, whichever comes first. The tariffs submitted 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 16th day of March 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
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SERVICE LIST FOR: CAMPUS COMMUNICATIONS GROUP, INC.

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

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