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MEMORANDUM

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2015 AUG 28 A 8:47

FROM: Thomas M. Broderick
Director
Utilities Division

AZ CORP COMMISSION
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ORIGINAL

DATE: August 28, 2015

RE: IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN
TELEPHONE COMPANY FILING FOR APPROVAL TO DEREGULATE
VOICE MAIL SERVICES. (DOCKET NO. T-01072A-14-0208)

Attached is the Staff Report for the above Application requesting approval to deregulate Southwestern Telephone Company's provision of voice mail services.

Staff is recommending approval of the Application with conditions.

TMB:LLM:nr/MAS

Originator: Lori Morrison

Attachment: Original and Thirteen copies

Arizona Corporation Commission
DOCKETED

AUG 28 2015

DOCKETED BY

SERVICE LIST FOR: SOUTHWESTERN TELEPHONE COMPANY
DOCKET NO.: T-01072A-14-0208

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

SOUTHWESTERN TELEPHONE COMPANY

DOCKET NO. T-01072A-14-0208

IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN TELEPHONE
COMPANY FILING FOR APPROVAL TO DEREGULATE VOICE MAIL SERVICES

AUGUST 28, 2015

STAFF ACKNOWLEDGMENT

The Staff Report for Southwestern Telephone Company, Docket No. T-01072A-14-0208, was the responsibility of the Utilities Division Staff listed below. Lori Morrison was responsible for the review and analysis of Southwestern Telephone Company's Application requesting approval to deregulate its provision of voice mail services.

Lori Morrison
Utilities Consultant

Application

On June 25, 2014, Southwestern Telephone Company ("SWTC" or "the Company") filed an Application with the Arizona Corporation Commission ("Commission") to deregulate the voice mail services it offers to its Arizona customers.

Statute and Requirements

Arizona Revised Statute ("A.R.S.") § 40-281(E) states:

When the Commission determines after notice and hearing that any product or service of a telecommunications corporation is neither essential nor integral to the public service rendered by such corporation, it shall declare that such product or service is not subject to regulation by the commission.

In its Application, SWTC states that voice mail services are neither essential nor integral to the public service rendered by SWTC and it currently provisions public basic telephone service to residential and business customers with or without voice mail services. SWTC states the provision of voice mail service does not constitute "transmitting messages or furnishing public telegraph or telephone service" under Article 15, § 2 of the Arizona Constitution because instead of transmitting messages or furnishing telephone service, voice mail permits (1) callers to record their transmitted messages and (2) recipients (subscribers) to store and retrieve the recorded messages. Therefore, the Company states that voice mail service is totally independent of basic telephone service.

In addition, SWTC states that unregulated voice mail services are currently available through independent voice mail providers, competitive local exchange carriers, and cellular carriers and marketers. Further, customers may also purchase answering machines rather than purchase voice mail services. SWTC believes that given the multitude of voice mail alternatives available to customers, the Commission should allow it to offer deregulated voice mail services, on a deregulated basis, to its customers without the burden of regulation.

Current Voice Mail Customers

In its Application, SWTC states that less than five percent of its Salome and Quartzite exchange customers subscribe to its tariffed voice mail service. SWTC currently provides voice mail services to 22 residential customers and 18 business customers. The Company would like to be able to market voice mail services to its remaining customers on a deregulated basis. To assure that present subscribers are not harmed, SWTC agrees to grandfather all current voice mail subscribers at current rates.

Staff Analysis and Recommendation

In Decision No. 68604, dated March 23, 2006, the Commission approved a Settlement Agreement in Docket No. T-01051B-03-0454, et al., in which the parties agreed that Qwest

Corporation had met the criteria for deregulation of voice mail service. In its Direct Testimony¹ in that docket, Staff analyzed voice messaging service and concluded that voice messaging services is not essential and integral to basic telephone service, that it is a discrete and separable from the public switched telephone network and that it is subject to private contracts.

Given the above, Staff recommends SWTC's application be approved. Finally, SWTC has stated that it intends to grandfather its existing voicemail customers at current rates. SWTC is free to do this if it so chooses. However, since Staff is recommending that the Company be allowed to provide the service on a deregulated basis, there is no need to tariff the service in the future.

¹ November 18, 2004, Direct Testimony of Matthew Rowell at p. 46, l. 22 through p. 51, l. 25, filed in Docket Nos. T-01051B-03-0454 and T-00000D-00-0672.