

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

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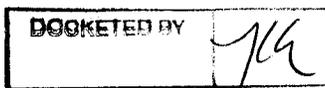
TO: THE COMMISSION

2016 APR -8 P 12: 36

FROM: Utilities Division

APR 08 2016

DATE: April 8, 2016



AZ CORP COMMISSION
DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF COX ARIZONA TELCOM, L.L.C. DBA COX COMMUNICATIONS FOR APPROVAL OF REVISIONS TO THE COX LOCAL EXCHANGE AND TOLL SERVICE TARIFF TO INCREASE BUSINESS LINE RESTORAL CHARGE MAX RATE (DOCKET NO. T-03471A-16-0064)

INTRODUCTION

On February 24, 2016, Cox Arizona Telcom, L.L.C. ("Cox" or "Company") filed revisions to its Local Exchange Service Tariff to increase a maximum non-recurring line restoral charge, per line, for business and home office customers. While Arizona Corporation Commission ("Commission") approval of the proposed tariff revision would authorize Cox to increase its customers' rates, Cox does not propose to increase the non-recurring rate that it currently charges its customers at this time.

In Decision No. 60285, dated July 2, 1997, the Commission concluded that the local exchange company and intraLATA/interLATA services which Cox provides are competitive pursuant to Arizona Administrative Code ("A.A.C.") R14-2-1108 of the Commission's Competitive Telecommunications Services Rules. The pricing and rate change provisions of A.A.C. R14-2-1109 and A.A.C. R14-2-1110 apply to changes in either the price levels or maximum rates for services provided by Cox. A.A.C. R14-2-1109 allows Cox to price a competitive telecommunications service at any level at or below the maximum rate stated in the Company's tariff on file with the Commission, provided that the price for the service is not less than the Company's total service long-run incremental cost of providing the service. Pursuant to A.A.C. R14-2-1110, Cox is required to submit the following information in order to increase the maximum rates for a competitive telecommunications service:

1. A statement setting forth the reasons for which a rate increase is required;
2. A schedule of current rates and proposed rates and the additional revenues to be derived from the proposed rates; and
3. An affidavit verifying that appropriate notice of the proposed rate increase has been provided to customers of the service.

In its February 24, 2016 filing, Cox proposes to increase the maximum non-recurring line restoral charge, per line, for business and home office customers. The present maximum rate for

this service is \$25.00. The proposed maximum rate is \$80.00. Cox does not propose to increase the non-recurring rate that it currently charges its customers at this time.

BACKGROUND

On March 2, 2016, Staff issued its First Set of Data Requests. On March 8, 2016, a Confidentiality Agreement was signed between Staff and Cox. On March 8, 2016, Cox provided responses to Staff's First Set of Data Requests.

Cox states that approval of the proposed maximum non-recurring rate increase is being sought for the following reason:

Cox's non-recurring services are priced to reflect the competitive market in which Cox operates and Cox is seeking the ability to price its services based on competitive reactions which it is unable to do at its current maximum rate. Cox is also seeking to have its Cox Business and Home Office maximum rate for the Line Restoral Charge be consistent with its residential Reconnection and Reactivation charge maximum rate which the Commission has already approved.

STAFF'S ANALYSIS

On March 8, 2016, Cox provided Staff with a copy of the Customer Notice that informs the impacted customers of the proposed rate change. The Customer Notice is in the form of a bill message, of one paragraph in length, informing customers of the application filed with the Commission and directing customers with questions to contact Cox at 1-877-982-5907. In addition, those customers with further questions are directed to contact the Consumer Services Section of the Commission at 602-542-4251 or 800-222-7000 or by visiting the Commission's website. Cox also provided Staff with an Affidavit of Mailing indicating that the bill message is being sent out to all of Cox Arizona Telcom, LLC's affected business and home office customers through the billing period of March 3 – April 2, 2016. If approved by the Commission, Cox indicated in its response to Staff that the maximum rate will become effective sixty (60) days after first notifying customers which would be May 4, 2016.

Since this filing increases the maximum rate for a service that has been classified as competitive under the Commission's Competitive Telecommunications Services Rules, A.A.C. R14-2-1110 applies to Cox's proposal. Cox provided the information required by A.A.C. R14-2-1110.

The proposed rate increase contained in this filing is for a service that has been classified as competitive by the Commission and is now subject to the Commission's Competitive Telecommunications Services Rules. Under those Rules, rates for competitive services are not set according to rate of return regulation standards. Staff requested information from Cox to allow it to determine the potential effects of approval of the filing. Cox provided information indicating that if it raised the rate to the new maximum rate requested in this docket, the expected effect of this filing would be an increase in Cox's annualized Arizona revenues of less than 1 percent. Since Cox will

not be raising the actual or current rate corresponding to the service in this application, the initial market impact will be zero.

Staff obtained information regarding Cox's fair value rate base. Due to the nature of the competitive market and other factors, a fair value analysis is not necessarily representative of the Company's operations. Therefore, while Staff considered the fair value rate base information of Cox, it did not accord that information substantial weight in its analysis of this matter.

The proposed maximum non-recurring rate is comparable to the rate for a similar service provided by other telecommunications companies operating in the State of Arizona. Staff believes it is just and reasonable. In addition, the rate ultimately charged by Cox will be heavily influenced by the market.

STAFF'S RECOMMENDATION

Staff recommends approval of this application.



for

Thomas M. Broderick
Director
Utilities Division

TMB:PJG:red\RWG

ORIGINATOR: Pamela J. Genung

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BEFORE THE ARIZONA CORPORATION COMMISSION

- DOUG LITTLE
Chairman
- BOB STUMP
Commissioner
- BOB BURNS
Commissioner
- TOM FORESE
Commissioner
- ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION
 OF COX ARIZONA TELCOM, L.L.C. DBA
 COX COMMUNICATIONS FOR
 APPROVAL OF REVISIONS TO THE COX
 LOCAL EXCHANGE AND TOLL SERVICE
 TARIFF TO INCREASE BUSINESS LINE
 RESTORAL CHARGE MAX RATE.

DOCKET NO. T-03471A-16-0064
 DECISION NO. _____
ORDER

Open Meeting
 May 3 and 4, 2016
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Cox Arizona Telcom, L.L.C. ("Cox" or "Company") is certificated to provide intrastate telecommunications service as a public service corporation in the State of Arizona.
2. On February 24, 2016, Cox filed revisions to its Local Exchange Service Tariff to increase a maximum non-recurring line restoral charge, per line, for business and home office customers.
3. While Arizona Corporation Commission ("Commission") approval of the proposed tariff revision would authorize Cox to increase its customers' rates, Cox does not propose to increase the non-recurring rate that it currently charges its customers at this time.
4. In Decision No. 60285, dated July 2, 1997, the Commission concluded that the local exchange company and intraLATA/interLATA services which Cox provides are competitive pursuant to Arizona Administrative Code ("A.A.C.") R14-2-1108 of the Commission's Competitive

1 Telecommunications Services Rules. The pricing and rate change provisions of A.A.C. R14-2-1109
2 and A.A.C. R14-2-1110 apply to changes in either the price levels or maximum rates for services
3 provided by Cox. A.A.C. R14-2-1109 allows Cox to price a competitive telecommunications service at
4 any level at or below the maximum rate stated in the Company's tariff on file with the Commission,
5 provided that the price for the service is not less than the Company's total service long-run
6 incremental (marginal) cost of providing the service. Pursuant to A.A.C. R14-2-1110, Cox is required
7 to submit the following information in order to increase the maximum rates for a competitive
8 telecommunications service:

- 9
- 10 A. A statement setting forth the reasons for which a rate increase is required;
 - 11 B. A schedule of current rates and proposed rates and the additional revenues to be
derived from the proposed rates; and
 - 12 C. An affidavit verifying that appropriate notice of the proposed rate increase has been
provided to customers of the service.
- 13

14 5. In its February 24, 2016 filing, Cox proposes to increase the maximum non-recurring
15 line restoral charge, per line, for business and home office customers. The present maximum rate for
16 this service is \$25.00. The proposed maximum rate is \$80.00. Cox does not propose to increase the
17 non-recurring rate that it currently charges its customers at this time.

18 **Background**

19 6. On March 2, 2016, Staff issued its First Set of Data Requests. On March 8, 2016, a
20 Confidentiality Agreement was signed between Staff and Cox. On March 8, 2016, Cox provided
21 responses to Staff's First Set of Data Requests.

22 7. Cox states that approval of the proposed maximum non-recurring rate increase is
23 being sought for the following reason:

24

25 Cox's non-recurring services are priced to reflect the competitive market in which Cox
26 operates and Cox is seeking the ability to price its services based on competitive
27 reactions which it is unable to do at its current maximum rate. Cox is also seeking to
28 have its Cox Business and Home Office maximum rate for the Line Restoral Charge be
consistent with its residential Reconnection and Reactivation charge maximum rate
which the Commission has already approved.

Staff's Analysis

8. On March 8, 2016, Cox provided Staff with a copy of the Customer Notice that informs the impacted customers of the proposed rate change. The Customer Notice is in the form of a bill message, one paragraph in length, informing customers of the application filed with the Commission and directing customers with questions to contact Cox at 1-877-982-5907. In addition, those customers with further questions are directed to contact the Consumer Services Section of the Commission at 602-542-4251 or 800-222-7000 or by visiting the Commission's website. Cox also provided Staff with an Affidavit of Mailing indicating that the bill message is being sent out to all of Cox Arizona Telcom, LLC's affected business and home office customers through the billing period of March 3 – April 2, 2016. If approved by the Commission, Cox indicated in its response to Staff that the maximum rate will become effective on May 4, 2016, sixty (60) days after first notifying customers of the proposed maximum rate increase.

9. Since this filing increases the maximum rate for a service that has been classified as competitive under the Commission's Competitive Telecommunications Services Rules, A.A.C. R14-2-1110 applies to Cox's proposal. Cox provided the information required by A.A.C. R14-2-1110.

Staff's Conclusions

10. The proposed rate increase contained in this filing is for a service that has been classified as competitive by the Commission and is now subject to the Commission's Competitive Telecommunications Services Rules. Under those Rules, rates for competitive services are not set according to rate of return regulation standards. Staff requested information from Cox to allow it to determine the potential effects of approval of the filing. Cox provided information indicating that if it raised the rate to the new maximum rate requested in this docket, the expected effect of this filing would be an increase in Cox's annualized Arizona revenues of less than 1 percent. Since Cox will not be raising the actual or current rate corresponding to the service in this application, the initial market impact will be zero.

11. Staff obtained information regarding Cox's fair value rate base. Due to the nature of the competitive market and other factors, a fair value analysis is not necessarily representative of the

1 company's operations. Therefore, while Staff considered the fair value rate base information of Cox,
2 it did not accord that information substantial weight in its analysis of this matter.

3 12. The proposed maximum non-recurring rate is comparable to the rate for a similar
4 service provided by other telecommunications companies operating in the State of Arizona. Staff
5 believes it is just and reasonable. In addition, the rate ultimately charged by Cox will be heavily
6 influenced by the market.

7 **Staff's Recommendation**

8 13. Staff recommends approval of this application.

9 CONCLUSIONS OF LAW

10 1. Cox Arizona Telcom, L.L.C. is a public service corporation within the meaning of
11 Article XV of the Arizona Constitution.

12 2. The Commission has jurisdiction over Cox Arizona Telcom, L.L.C and the subject
13 matter in this filing.

14 3. The Commission, having reviewed the filing and Staff's Memorandum dated April 8,
15 2016, concludes that the proposed tariff revisions as discussed herein are reasonable, fair and equitable
16 and therefore in the public interest.

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ORDER

IT IS THEREFORE ORDERED that proposed tariff revisions be and hereby are approved.
IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE 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 this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2016.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:PJG:red\RWG

1 SERVICE LIST FOR: Cox Arizona Telcom, L.L.C.
2 DOCKET NO. T-03471A-16-0064

3 Mr. Mark DiNunzio
4 Director, AZ Regulatory Affairs
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9 Director, Utilities Division
10 Arizona Corporation Commission
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