

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

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MAY 19 2016

2016 MAY 19 P 1:02

TO: THE COMMISSION

FROM: Utilities Division

DOCKETED BY 

AZ CORP COMMISSION
DOCKET CONTROL

DATE: May 19, 2016

RE: IN THE MATTER OF THE APPLICATION OF QWEST CORPORATION DBA CENTURYLINK QC FOR APPROVAL OF A TARIFF REVISION TO GRANDFATHER THE CENTURYLINK MEDICALLY NEEDY TELEPHONE ASSISTANCE PROGRAM TO EXISTING CUSTOMERS AND NO NEW CUSTOMERS BE ACCEPTED INTO THE PROGRAM EFFECTIVE APRIL 1, 2017 (DOCKET NO. T-01051B-16-0092)

INTRODUCTION.

On March 14, 2016, Qwest Corporation dba CenturyLink QC ("CenturyLink" or "Company") filed an Application for a tariff revision to change the availability of the Telephone Assistance Plan for the Medically Needy ("TAP"), which was established by the Arizona Corporation Commission ("Commission") in Decision No. 57462 (July 15, 1991). In its Application, CenturyLink seeks Commission approval to stop offering the program to new customers effective April 1, 2017. Customers already enrolled in the program as of April 1, 2017, would be grandfathered and would continue receiving the credit as long as they recertify annually and do not leave the program for any reason. New or prospective customers will have almost a year in which to enroll before the program is discontinued.

The Company states that the number of customers participating in the TAP continues to decline from a high of over 10,000 customers in 2002 to less than 3,000 customers as of the end of 2014. Currently, according to the Company, the number of customers receiving benefits has fallen to around 2,200. The program is only available to CenturyLink customers and is not offered by any other providers or in areas outside of CenturyLink's serving area. Finally, according to CenturyLink, participation has declined precipitously because of the availability of alternative means of communicating such as wireless, cable telephony and Voice over Internet Protocol ("VoIP").

Staff recommends approval of CenturyLink's proposed tariff revision which would grandfather existing TAP customers as of April 1, 2017; and to discontinue offering the program to new customers as of that date.

BACKGROUND

The TAP was first established by the Commission in Decision No. 57426 (July 15, 1991). The TAP allows low income customers demonstrating a special medical need to obtain home phone service from CenturyLink at little or no charge. The program is administered by the Arizona Department of Economic Security ("DES"). Community Action Agencies throughout the state

assist the DES in enrolling qualified applicants in the TAP. DES provides both administrative and direct services by conducting training, customer-service, data-entry, and outreach activities. The Community Action Agencies provide case management services to low-income customers and coordinate application intake systems, conduct client interviews and determine client eligibility.

In Decision No. 68604 issued on March 23, 2006, the Commission increased the funding for the TAP from a total of \$1.0 million annually to \$2.0 million annually, exclusive of any federal funding received. Decision No. 68604 also required that \$100,000 of this amount be used annually to offset the reasonable administrative costs incurred by community agencies in enrolling qualified applicants in the TAP program. The Decision also required that any unused TAP funds in any given year remain in the account for use in subsequent years. TAP expenditures are capped at the \$2.0 million annual funding level unless the account has a surplus from prior years. Thus, in the event the account has a surplus from prior years and there are additional qualified applicants, TAP expenditures may exceed the annual funding level.

On December 12, 2015, in Decision No. 75357, the Commission approved CenturyLink's proposed tariff revisions to change the accounting methodology for the TAP, by eliminating the \$2 million annual set-aside requirement and instead allowing the Company to fund the program as an in-year operating expense. This change became effective January 1, 2016. Decision No. 75357 also approved CenturyLink's request to reverse the accounting liability consisting of the set-aside balance of unused TAP funds on the Company's books. It also eliminated the \$2.0 million cap on future TAP funding effective January 1, 2016; and required the Company to continue to provide TAP credits to both new and existing customers who are determined by DES to be eligible.

STAFF ANALYSIS

At the peak of the TAP in 2002, there were over 10,000 customers enrolled in the program. Since then, the number has declined. At the end of 2014, less than 3,000 customers participated in TAP. The Company attributes the decline in customer participation to availability of alternative means of communicating such as wireless, cable telephony, and VoIP competitors. According to CenturyLink, approximately 71 percent of the voice connection in Arizona are served by wireless providers and over 41 percent of Arizona individuals 18 and older lived in households that are wireless only. Currently, the number of customers receiving benefits has fallen to around 2,200. The program is only available to CenturyLink customers and is not offered by any other providers or in areas outside of CenturyLink's service territory.

Because the number of customers participating in TAP are decreasing every year, and the fact that the program was instituted by the Commission in 1991 at a time when US West (a predecessor company of CenturyLink) was essentially a monopoly provider of telephone service in its territory, the Company filed the instant Application to address the issue through the changes requested in this tariff filing.

The requested changes will have no impact on the availability of funds for the program. The Company will continue to provide benefits to all current customers, as well as any new customers who enroll in the program prior to April 1, 2017. After that date, no new customers will be

accepted and customers who leave the program for any reason, such as failure to re-qualify, failure to recertify, or a lapse in service, will not be accepted back into the program.

CenturyLink has given advance notice of the proposed changes to its tariff to all existing TAP customers, the community action agencies throughout the state, DES and all parties on the service list in Docket No. T-01051B-03-0454 et al. since the funding requirement for TAP was part of a Settlement Agreement approved in Decision No. 68604 in that Docket. According to CenturyLink, upon Commission approval of this filing, the Company will notify its entire residential customer base that the program is being discontinued on April 1, 2017. Upon approval by the Commission, CenturyLink has agreed to notify all customers of the changes to the program through a bill insert; and to send a notice of the changes in the recertification letters which are sent annually to all existing TAP customers. After April 1, 2017, customers who formerly qualified for the program will still be eligible for the Federal Communication Commission's Lifeline Program and if over the age of 65, for the Senior Telephone Discount Program, both of which offers subsidies for basic local telephone service. Customers also have the option of obtaining free or subsidized wireless service from numerous providers throughout the community.

STAFF RECOMMENDATIONS

Based on its analysis, Staff concludes that CenturyLink's requests, for approval to grandfather the Medically Needy Telephone Assistance Program to existing customers and that no new customers be accepted into the program effective April 1, 2017, are reasonable. Therefore, Staff recommends that the Commission issue an Order approving the proposed tariff revision effective July 1, 2016.



for Thomas M. Broderick
Director
Utilities Division

TMB:BNC:red\MAS

Originator: Blessing Chukwu

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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 QWEST CORPORATION DBA)
 CENTURYLINK QC FOR APPROVAL OF A)
 TARIFF REVISION TO GRANDFATHER)
 THE CENTURYLINK MEDICALLY)
 NEEDY TELEPHONE ASSISTANCE)
 PROGRAM TO EXISTING CUSTOMERS)
 AND NO NEW CUSTOMERS BE)
 ACCEPTED INTO THE PROGRAM)
 EFFECTIVE APRIL 1, 2017.

DOCKET NO.T-01051B-16-0092
 DECISION NO. _____

ORDER

Open Meeting
 June 14 and 15, 2016
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. On March 14, 2016, Qwest Corporation DBA CenturyLink QC (“CenturyLink” or “Company”) filed an Application for a tariff revision to change the availability of the Telephone Assistance Plan for the Medically Needy (“TAP”), which was established by the Arizona Corporation Commission (“Commission”) in Decision No. 57462 (July 15, 1991). In its Application, CenturyLink seeks Commission approval to stop offering the program to new customers effective April 1, 2017. Customers already enrolled in the program as of April 1, 2017, would be grandfathered and would continue receiving the credit as long as they recertify annually and do not leave the program for any reason. New or prospective customers will have almost a year in which to enroll before the program is discontinued.

1 2. The Company states that the number of customers participating in the TAP continues
2 to decline from a high of over 10,000 customers in 2002 to less than 3,000 customers as of the end of
3 2014. Currently, according to the Company, the number of customers receiving benefits has fallen to
4 around 2,200. The program is only available to CenturyLink customers and is not offered by any
5 other providers or in areas outside of CenturyLink's serving area. Finally, according to CenturyLink,
6 participation has declined precipitously because of the availability of alternative means of
7 communicating such as wireless, cable telephony and Voice over Internet Protocol ("VoIP").

8 3. Staff recommends approval of CenturyLink's proposed tariff revision which would
9 grandfather existing TAP customers as of April 1, 2017; and to discontinue offering the program to
10 new customers as of that date.

11 **Background**

12 4. The TAP was first established by the Commission in Decision No. 57426 (July 15,
13 1991). The TAP allows low income customers demonstrating a special medical need to obtain home
14 phone service from CenturyLink at little or no charge. The program is administered by the Arizona
15 Department of Economic Security ("DES"). Community Action Agencies throughout the state assist
16 the DES in enrolling qualified applicants in the TAP. DES provides both administrative and direct
17 services by conducting training, customer-service, data-entry, and outreach activities. The Community
18 Action Agencies provide case management services to low-income customers and coordinate
19 application intake systems, conduct client interviews and determine client eligibility.

20 5. In Decision No. 68604 issued on March 23, 2006, the Commission increased the
21 funding for the TAP from a total of \$1.0 million annually to \$2.0 million annually, exclusive of any
22 federal funding received. Decision No. 68604 also required that \$100,000 of this amount be used
23 annually to offset the reasonable administrative costs incurred by community agencies in enrolling
24 qualified applicants in the TAP program. The Decision also required that any unused TAP funds in
25 any given year remain in the account for use in subsequent years. TAP expenditures are capped at the
26 \$2.0 million annual funding level unless the account has a surplus from prior years. Thus, in the event
27 the account has a surplus from prior years and there are additional qualified applicant, TAP
28 expenditures may exceed the annual funding level.

1 6. On December 12, 2015, in Decision No. 75357, the Commission approved
2 CenturyLink's proposed tariff revisions to change the accounting methodology for the TAP, by
3 eliminating the \$2 million annual set-aside requirement and instead allowing the Company to fund the
4 program as an in-year operating expense. This change became effective January 1, 2016. Decision
5 No. 75357 also approved CenturyLink's request to reverse the accounting liability consisting of the
6 set-aside balance of unused TAP funds on the Company's books. It also eliminated the \$2.0 million
7 cap on future TAP funding effective January 1, 2016; and required the Company to continue to
8 provide TAP credits to both new and existing customers who are determined by DES to be eligible.

9 **Staff Analysis**

10 7. At the peak of the TAP in 2002, there were over 10,000 customers enrolled in the
11 program. Since then, the number has declined. At the end of 2014, less than 3,000 customers
12 participated in TAP. The Company attributes the decline in customer participation to availability of
13 alternative means of communicating such as wireless, cable telephony, and VoIP competitors.
14 According to CenturyLink, approximately 71 percent of the voice connection in Arizona are served by
15 wireless providers and over 41 percent of Arizona individuals 18 and older lived in households that
16 are wireless only. Currently, the number of customers receiving benefits has fallen to around 2,200.
17 The program is only available to CenturyLink customers and is not offered by any other providers or
18 in areas outside of CenturyLink's service territory.

19 8. Because the number of customers participating in TAP are decreasing every year, and
20 the fact that the program was instituted by the Commission in 1991 at a time when US West (a
21 predecessor company of CenturyLink) was essentially a monopoly provider of telephone service in its
22 territory, the Company filed the instant Application to address the issue through the changes
23 requested in this tariff filing.

24 9. The requested changes will have no impact on the availability of funds for the
25 program. The Company will continue to provide benefits to all current customers, as well as any new
26 customers who enroll in the program prior to April 1, 2017. After that date, no new customers will be
27 accepted and customers who leave the program for any reason, such as failure to re-qualify, failure to
28 recertify, or a lapse in service, will not be accepted back into the program.

1 10. CenturyLink has given advance notice of the proposed changes to its tariff to all
2 existing TAP customers, the community action agencies throughout the state, DES and all parties on
3 the service list in Docket No. T-01051B-03-0454 et al. since the funding requirement for TAP was
4 part of a Settlement Agreement approved in Decision No. 68604 in that Docket. According to
5 CenturyLink, upon Commission approval of this filing, the Company will notify its entire residential
6 customer base that the program is being discontinued on April 1, 2017. Upon approval by the
7 Commission, CenturyLink has agreed to notify all customers of the changes to the program through a
8 bill insert; and to send a notice of the changes in the recertification letters which are sent annually to
9 all existing TAP customers. After April 1, 2017, customers who formerly qualified for the program
10 will still be eligible for the Federal Communication Commission's Lifeline Program and if over the age
11 of 65, for the Senior Telephone Discount Program, both of which offers subsidies for basic local
12 telephone service. Customers also have the option of obtaining free or subsidized wireless service
13 from numerous providers throughout the community.

14 **Staff Recommendations**

15 11. Based on its analysis, Staff concludes that CenturyLink's requests, for approval to
16 grandfather the Medically Needy Telephone Assistance Program to existing customers and that no
17 new customers be accepted into the program effective April 1, 2017, are reasonable. Therefore, Staff
18 recommends that the Commission issue an Order approving the proposed tariff revision effective July
19 1, 2016.

20 CONCLUSIONS OF LAW

21 1. CenturyLink is an Arizona public service corporation within the meaning of Article
22 XV, Section 2, of the Arizona Constitution.

23 2. The Commission has jurisdiction over CenturyLink and the subject matter of this
24 proceeding.

25 3. Notice of CenturyLink's Application and the Commission Open Meeting was
26 provided in the manner prescribed by law.

27 ...

28 ...

1 IT IS FURTHER ORDERED that all other Settlement Agreement provisions adopted in
 2 Decision No. 68604 relating to the TAP, to the extent not modified by previous Commission Orders,
 3 shall remain in effect.

4 IT IS FURTHER ORDERD that this Decision shall become effective immediately.
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 6

7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**
 8

CHAIRMAN	COMMISSIONER	
COMMISSIONER	COMMISSIONER	COMMISSIONER

13
 14 IN WITNESS WHEREOF, I, Jodi Jerich, Executive Director
 15 of the Arizona Corporation Commission, have hereunto, set
 16 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.

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 19 _____
 20 JODI JERICH
 EXECUTIVE DIRECTOR

21 DISSENT: _____
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23 DISSENT: _____
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25 TMB:BNC:red\MAS
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1 SERVICE LIST FOR: Qwest Corporation dba CenturyLink QC
2 DOCKET NO. T-01051B-15-0383

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