

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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GARY PIERCE
Chairman

2012 NOV 16 P 3:48

BOB STUMP

Commissioner Arizona Corporation Commission

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

SANDRA D. KENNEDY
Commissioner

DOCKETED

PAUL NEWMAN
Commissioner

NOV 16 2012

BRENDA BURNS
Commissioner

DOCKETED BY	<i>nr</i>
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**IN THE MATTER OF THE APPLICATION
OF QWEST CORPORATION d/b/a
CENTURYLINK-QC ("CENTURYLINK")
TO SET OR INCREASE THE MAXIMUM
TARIFFED RATES FOR CERTAIN
COMPETITIVE TELECOMMUNICATIONS
SERVICES, PURSUANT TO A.A.C. R14-2-
1110**

DOCKET NO. T-01051B-12-0468

APPLICATION

Qwest Corporation d/b/a CenturyLink-QC ("CenturyLink") applies to the Arizona Corporation Commission ("Commission") to set or to increase the maximum tariffed rates for certain competitive telecommunications services, pursuant to A.A.C. R14-2-1110 ("Rule 1110).

1. CenturyLink's regulated local retail telecommunications services have been classified as competitive by the Commission, or have been classified under the recent 2012 *Competitive Classification Order*¹ as competitive subject to conditions.

2. By this Application, CenturyLink seeks to set maximum tariff rates for certain services that are competitive subject to conditions defined in the Settlement approved by the

¹ Opinion and Order, Decision No. 73354, *In the Matter of the Application of Qwest Corporation d/b/a CenturyLink-QC ("CenturyLink") to Classify and Regulate Retail Local Exchange Telecommunications Services as Competitive, and to Classify and Deregulate Certain Services as Non-Essential*, Arizona Corporation Commission Docket No. T-01051B-11-0378 (the "2012 Competitive Classification Order").

1 Commission in Decision 73354 issued on August 21, 2012, and to increase the maximum rate for
2 one service that is competitive but not subject to conditions. The specific services addressed by
3 this Application are listed on Exhibit 1, which is attached and incorporated here by reference.

4 3. The Commission established its Rules for Competitive Telecommunications
5 Services in 1995. Pursuant to those Rules, the Commission may determine that
6 telecommunications services are competitive. A primary feature and purpose of the Competitive
7 Telecommunications Rules is to provide a *streamlined process for rate changes* for competitive
8 services:

9 If the Commission finds that a telecommunications company's service is
10 competitive, the telecommunications company providing the service may obtain a
11 rate change for the service by applying for *streamlined rate treatment* pursuant to
12 R14-2-1110.²

13 The *2012 Competitive Classification Order* expressly anticipates that CenturyLink shall file for
14 streamlined rate treatment under Rule 1110, and specifically provides that as a competitive
15 provider CenturyLink shall not be required to make a rate case filing under Rule 103. Rule 1110
16 defines the information that the competitive provider shall provide in its application and provides
17 for a fast resolution, stating that the Commission may act without an evidentiary hearing in an
18 expeditious manner.³ Streamlined rate treatment has been accorded to rate changes requested by
19 competitive carriers; in every instance the competitive carriers' maximum rates have been
20 approved by Commission orders entered upon Staff review, without evidentiary hearings.
21 CenturyLink respectfully requests that the Commission rule on its requested maximum rates
22 using the Commission's streamlined processes provided for in Rule 1110, as it has done for
23 every other competitive telecommunications provider under its jurisdiction.

23 ² A.A.C. R14-2-1108.F. (emphasis added).

24 ³ A.A.C. R14-2-1110.C.

1 4. In this filing, CenturyLink requests to establish the maximum price for a limited
2 number of services, including residential and business basic exchange service and Non-Published
3 and Non-Listed service, as shown in Exhibit 1. Exhibit 1 provides the current rates and the
4 proposed maximum rates in compliance with the requirement of Rule 1110 B.2. It also reflects
5 the percentage increase of the proposed maximum rates in order to facilitate verification of
6 compliance with the conditions set forth in Decision No. 73354.

7 5. Rule 1110 B.2 also requires a statement of the revenues that would be derived if
8 CenturyLink were to raise rates to the maximum prices proposed. In compliance with that
9 requirement, CenturyLink submits that the nominal potential revenue increase related to the
10 maximum rates proposed for all of the services amounts to \$20.7 million. It is important to note
11 that the estimated revenues derived from services listed in Exhibit 1 are based on current service
12 quantities and proposed *maximum* rates. Thus, CenturyLink will not actually realize 100 percent
13 of these additional revenues, because (1) prices will not be raised to the maximum rates in the
14 first year due to the limitations in the settlement agreement (10% for residence and 15% for
15 medium/small business); (2) even though the maximum rate is increased, CenturyLink may
16 decide not to raise all of the rates, may decide to lower rates for certain other services, or may
17 decide to raise rates but not to the maximum; and (3) the current quantities of the services listed
18 may change (for example, residential basic exchange service quantities have been declining, and
19 are likely to continue declining—an impact not considered in the estimated revenue increase).

20 6. With respect to services listed in Exhibit 1 that are competitive subject to
21 conditions, CenturyLink is requesting a 25%, or slightly smaller, increase in the maximum price
22 for each service, consistent with Section II.2.2(a) of the stipulation in Docket T-01051B-11-0378
23 approved by the Commission on August 23, 2012:

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1 For a period of three years from the date an order is entered by the Commission in
2 this docket approving this agreement or otherwise resolving this petition (the
3 "Order Approving Settlement"), CenturyLink shall not be entitled to increase its
4 maximum rates for residential services or for small and medium business services
5 greater than 25% over present rates.

6 While CenturyLink is seeking an increase in the maximum rate at this time pursuant to
7 Rule 1110, the company will abide by the agreement made in the stipulation in Docket T-
8 01051B-11-0378 to limit actual rate increases over a three year period (Section II.2.2(b)):

9 In connection with the filing under Rule 1110 described above, CenturyLink may
10 thereafter file under Rule 1109 to increase its actual rates by no more than 10%
11 annually for residential services during the three years following the Order
12 Approving Settlement and no more than 15% annually for small and medium
13 business services during the three years following the Order Approving
14 Settlement.

15 Thus, CenturyLink is requesting an increase in the maximum rate for these services pursuant to
16 Rule 1110, and may request an increase in actual prices for some services pursuant to Rule 1109
17 at a later time, consistent with the conditions in the stipulation. The *2012 Competitive*
18 *Classification Order* and the settlement that was the basis thereof contemplated that CenturyLink
19 would make a Rule 1110 filing to increase the maximum retail rates, within the constraints of the
20 settlement. That is exactly what CenturyLink has done here.

21 7. Directory Assistance is the only service listed on Exhibit 1 that has been
22 determined to be competitive without conditions. CenturyLink requests a 73% increase in the
23 maximum price for that service, as well as elimination of the current free call allowance.

24 8. The company must have the ability to increase its rates up to the maximum levels
25 identified on Exhibit 1 for the following reasons:

a. As the Commission acknowledged in the *2012 Competitive Classification*
Order, the level of competition in the voice telephone market has increased dramatically over the
past few years. Customers now may choose services from cable companies like Cox, wireless

1 providers like AT&T and Verizon, CLECs like tw telecom, and VoIP providers like Vonage.
2 This high level of competition was detailed in the testimony of CenturyLink witness Robert
3 Brigham in Docket T-01051B-11-0378. Based on this competitive environment, the
4 Commission has found retail services to be “competitive” pursuant to Rule 1108. In this
5 competitive environment, CenturyLink needs the flexibility to increase or decrease prices based
6 on market conditions. Increasing the maximum prices for retail services by 25% would enhance
7 that flexibility, and would allow the company to compete effectively and on a more even playing
8 field with its major competitors, like Cox. CenturyLink needs the flexibility to raise or lower its
9 rates based on the market, within the range allowed by the requested maximum rates.

10 b. Today, the residential basic local exchange rate in Arizona is \$13.18. This
11 rate was set in 1995 and has thus been in effect for approximately 17 years. Thus, over a
12 timeframe when the Consumer Price Index has increased 48%,⁴ CenturyLink’s basic residential
13 rate has not budged.

14 c. Today’s \$13.18 CenturyLink rate is below the market rate for the
15 residential service. The maximum rates established in the tariffs of CenturyLink’s competitors in
16 Arizona are generally higher than CenturyLink’s current rate, as shown on Exhibit 2. For
17 instance, Cox’s maximum rate for basic residence service is \$15.00.

18 d. Further, the current \$13.18 rate is one of the lowest residential basic
19 exchange rates in the nation, and *is the lowest rate* in the legacy Qwest 14 state region.

20 e. The proposed maximum rates are reasonable. When the Commission
21 Staff testified in the recent CenturyLink Competitive Classification Docket regarding potential
22 rate increases for consumer and small business customers, the Staff stated that percentage

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24 ⁴ See: <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.txt>.

1 increases at levels equal to the levels subsequently agreed to for residential rates, and levels even
2 higher than the levels subsequently agreed upon for small and medium business services, would
3 be reasonable:

4 Staff believes that the 25% increase for Consumer rates and the 30%
5 increase for Small and Medium Business rates over a three year period are
6 reasonable, with the additional restriction that rates may not increase more
7 than 10% per year.

8 ...

9 Compared to the rates charged by its competitors, CenturyLink's
10 Consumer rates, even with a 25% increase, are reasonable and comparable
11 to other service providers. The same is true for Small and Medium
12 Business rates.⁵

13 f. When the Commission Staff testified in favor of rate increases very
14 similar to those ultimately agreed upon in the *2012 Competitive Classification Order*, The
15 Commission Staff considered CenturyLink's fair value rate base. The Staff obtained information
16 from the company regarding net book value, fair value rate base, and revenues. The Staff
17 concluded, "While CenturyLink's fair value rate base was considered by Staff it was not given
18 substantial weight because of Staff's findings that these rates are emerging competitive."⁶

19 9. CenturyLink will work with the Commission Staff to provide an appropriate
20 notice of the proposed maximum rates to customers of the services. An affidavit attesting that
21 appropriate notice has been given will be filed when the notice has been completed. This would
22 be similar to the process followed by Staff when Cox filed to increase maximum rates for a much
23 greater number of services than herein proposed, including some increases of more than 300%,
24

25 ⁵ Direct Testimony of Elijah Abinah, Docket No. T-01051B-11-0378, p 12. In the settlement that
ultimately was reached, the cap on the increase for small business rates was set at 25% instead of
30%.

⁶ *Id.* In the settlement agreement that ultimately was reached, the competitive classification was
agreed to be competitive subject to conditions.

1 in Docket No. T-03471A-10-0498.

2 10. This Application does not seek to set or to increase the maximum rates for any
3 services other than those specifically listed in Exhibit 1. CenturyLink reserves the right to set or
4 seek increased maximum rates for other services, subject to applicable Commission rules and
5 orders. In the meantime, with respect to such other services CenturyLink intends to continue to
6 operate under the maximum and actual rates established pursuant to Decision No. 68604 until
7 new rates are filed under either Rule 1110 or Rule 1109 for each service.

8 11. For the foregoing reasons, CenturyLink requests that the Commission approve the
9 maximum rates proposed in a streamlined rate setting pursuant to Rule 1110.

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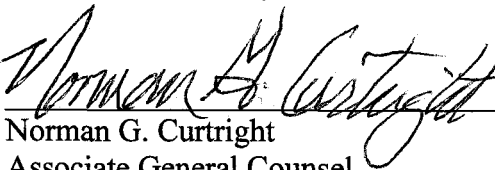
RESPECTFULLY SUBMITTED, this 16th day of November, 2012.

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QWEST CORPORATION d/b/a
CENTURYLINK-QC

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18 ORIGINAL and thirteen (13) copies filed
this 16th day of November, 2012, with:

19

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1200 West Washington Street
21 Phoenix, Arizona 85007

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1 Copy of the foregoing hand delivered
this 16th day of November, 2012, to:

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9 COPY of the foregoing mailed
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EXHIBIT 1

TIM CODE	USOC	SERVICE	PRESENT RATE	PROPOSED MAX RATE	% Increase
PCT 2.3.2	N/A	RETURNED PAYMENT CHARGE- R/B	\$10.00	\$12.50	25.00%
PCT 2.3.2	N/A	CONVENIENCE FEE (CREDIT CARD CHG)	\$4.00	\$5.00	25.00%
PCT 2.3.2	N/A	LATE PAYMENT CHARGE - RES/BUS	1.50%	1.88%	25.00%
EXCHANGE ZONE INCREMENT					
PCT 5.1.6	U1	ZONE 1 CHARGE - RESIDENTIAL/BUS	\$0.50	\$0.62	24.00%
PCT 5.1.6	U2	ZONE 2 CHARGE - RESIDENTIAL/BUS	\$1.50	\$1.87	24.67%
LOW USE OPTION SERVICE					
PCT 5.2.2	RMN	LOW USE OPTION - RESIDENTIAL	\$8.50	\$10.62	24.94%
PCT 5.2.2	AFN	LOW USE OPTION - RESIDENTIAL	\$8.50	\$10.62	24.94%
LOW USE OPTION SERVICE (USAGE REVENUE ESTIMATED)					
PCT 5.2.2	RMN	LOW USE OPTION - RESIDENTIAL	\$0.20	\$0.25	25.00%
FLAT RATE SERVICE					
PCT 5.2.4	1FR	FLAT RATE SERVICE-RESIDENTIAL	\$13.18	\$16.47	24.96%
PCT 5.2.4	1FR/HFR	FLAT RATE SERVICE-RESIDENTIAL	\$13.18	\$16.47	24.96%
FLAT RATE SERVICE					
PCT 5.2.4	1FB	FLAT RATE SERVICE - BUSINESS	\$30.40	\$38.00	25.00%
PCT 5.2.4	1FB/HFB	FLAT RATE SERVICE - BUSINESS	\$30.40	\$38.00	25.00%
SERVICE STATIONS					
PCT 5.2.5	1SS	SERVICE STATIONS - RESIDENTIAL	\$13.18	\$16.47	24.96%
LISTINGS - RESIDENTIAL					
PCT 5.7.1	NPU	NON-PUB LISTINGS - RESIDENTIAL	\$0.90	\$1.12	24.44%
PCT 5.7.1	NLT	NON-LIST - RESIDENTIAL	\$0.55	\$0.68	23.64%
PCT2 6.2.4	Per Call	DIRECTORY ASSISTANCE (LCL & NTL)	\$1.15	\$1.99	73.04%
PCT2 6.2.4	Per Call	ELIMINATION OF FREE CALL ALLOWANCE	\$0.00	\$1.99	NA
PCT 105.2.5	4SS	OBSOLETE LOCAL SVC - RESIDENTIAL	\$10.70	\$13.37	24.95%

EXHIBIT 2

TIM CODE	USOC	SERVICE	CenturyLink		Cox		AT&T		Eschelon	
			PRESENT RATE	PROPOSED MAX RATE	MAX RATE	ACTUAL RATE	MAX RATE	ACTUAL RATE	MAX RATE	ACTUAL RATE
PCT 2.3.2	N/A	RETURNED PAYMENT CHARGE- R/B	\$10.00	\$12.50	\$35.00	\$25.00	\$75.00	\$25.00	ICB	ICB
PCT 2.3.2	N/A	CONVENIENCE FEE (CREDIT CARD CHG)	\$4.00	\$5.00	NA	NA	NA	NA	NA	NA
PCT 2.3.2	N/A	LATE PAYMENT CHARGE - RES/BUS	1.50%	1.88%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
EXCHANGE ZONE INCREMENT										
PCT 5.1.6	U1	ZONE 1 CHARGE - RESIDENTIAL/BUS	\$0.50	\$0.62	NA	NA	NA	NA	NA	NA
PCT 5.1.6	U2	ZONE 2 CHARGE - RESIDENTIAL/BUS	\$1.50	\$1.87	NA	NA	NA	NA	NA	NA
LOW USE OPTION SERVICE										
PCT 5.2.2	RMN	LOW USE OPTION - RESIDENTIAL	\$8.50	\$10.62	\$7.99	\$7.99	NA	NA	NA	NA
PCT 5.2.2	AFN	LOW USE OPTION - RESIDENTIAL	\$8.50	\$10.62	NA	NA	NA	NA	NA	NA
LOW USE OPTION SERVICE (USAGE REVENUE ESTIMATED)										
PCT 5.2.2	RMN	LOW USE OPTION - RESIDENTIAL	\$0.20	\$0.25	\$0.50	\$0.50	NA	NA	NA	NA
FLAT RATE SERVICE										
PCT 5.2.4	1FR	FLAT RATE SERVICE-RESIDENTIAL	\$13.18	\$16.47	\$15.00	\$13.18	\$59.85	\$19.95	NA	NA
PCT 5.2.4	1FR/HFR	FLAT RATE SERVICE-RESIDENTIAL	\$13.18	\$16.47	\$15.00	\$13.18	\$59.85	\$19.95	NA	NA
FLAT RATE SERVICE										
PCT 5.2.4	1FB	FLAT RATE SERVICE - BUSINESS	\$30.40	\$38.00	\$32.00	\$32.00	\$59.00	\$29.50	\$49.95	\$36.04
PCT 5.2.4	1FB/HFB	FLAT RATE SERVICE - BUSINESS	\$30.40	\$38.00	\$32.00	\$32.00	\$59.00	\$29.50	\$49.95	\$36.04
SERVICE STATIONS										
PCT 5.2.5	1SS	SERVICE STATIONS - RESIDENTIAL	\$13.18	\$16.47	\$15.00	\$13.18	\$59.85	\$19.95	NA	NA
LISTINGS - RESIDENTIAL										
PCT 5.7.1	NPU	NON-PUB LISTINGS - RESIDENTIAL	\$0.90	\$1.12	\$5.00	\$2.00	\$2.00	\$6.00	NA	NA
PCT 5.7.1	NLT	NON-LIST - RESIDENTIAL	\$0.55	\$0.68	\$5.00	\$2.00	\$1.75	\$5.25	NA	NA
PCT 6.2.4 Per Call DIRECTORY ASSISTANCE (LCL & NTL)										
PCT 6.2.5	Per Call	ELIMINATION OF FREE CALL ALLOWANCE	\$0.00	\$1.99	\$5.00	\$1.99	\$4.80	\$1.60	\$3.45	\$1.90
PCT 105.2.5	4SS	OBSOLETE LOCAL SVC - RESIDENTIAL	\$10.70	\$13.37	NA	NA	NA	NA	NA	NA