

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 8, 2006

REGULAR CONSENT EFFECTIVE DATE August 26, 2006

DATE: July 31, 2006

TO: Public Utility Commission

FROM: Jim Stanage

THROUGH: Lee Sparling, Phil Nyegaard, and Lance Ball

SUBJECT: UNITED TELEPHONE COMPANY OF THE NORTHWEST:
(Docket UD 15) Petition to Price List Certain Packaged Services.

STAFF RECOMMENDATION:

Staff recommends that the filed petition be granted and that the company be directed to file a price list.

DISCUSSION:

Background

United Telephone Company of the Northwest, DBA Embarq (Embarq), has filed a petition to price list seventeen residential and ten business service packages, which are packages of custom access lines, calling features, and/or toll services. The petition was filed June 27, 2006. Only the packages themselves would be price-listed, not the individual services in the packages. The individual services would remain in the regular tariff. The initial rates for these packages would be the current tariff rates.

Pursuant to Oregon Revised Statutes (ORS) 759.058, the Commission has 60 days from the filing date to either determine the appropriateness of the filing or determine that further investigation is necessary. The Commission has until August 26, 2006, to take action on this petition.

Analysis

Procedures for Reviewing Service Exemptions

Pursuant to ORS 759.054(1) and Oregon Administrative Rule (OAR) 860-032-0035, the Commission may approve a price list petition if: (1) the services can be demonstrated to be subject to competition or (2) if the service is not an essential product or service. That is, the Commission may authorize a telecommunications utility to price list services if the services are not essential services, without any requirement that the services be subject to competition.

OAR 860-032-0035(6)(g) allows a rebuttable presumption that, for telecommunications utilities certified prior to January 1, 1999, a telecommunications service which is first offered after January 1, 1999, is not essential. Additionally, under OAR 860-032-0035(6)(j), there is a rebuttable presumption that a package of telecommunications services is not essential provided each service within the package is readily available to customers separately in the tariff. All of the services in the packages included in Embarq's petition are tariffed services.

Therefore, the service packages in the petition are not essential since (1) Embarq was certified prior to January 1, 1999, and the service packages included in the petition were first offered after January 1, 1999, and (2) only the service packages themselves would be price listed and the individual services would remain in Embarq's tariff. None of the services in the packages included in Embarq's petition are on the list of essential services included in OAR 860-032-0200.

In addition, this filing is in compliance with OAR 860-032-0035(8), which requires that the rate set for a package of services must be equal to or greater than the tariff rate(s) for the essential services(s), plus the long-run incremental cost(s) of the "not essential" services in the package.

ORS 759.058 requires the Commission to, within 60 days of the filing, determine the appropriateness of the filing or determine that further investigation is necessary.

If the Commission grants the petition and Embarq files its advice to effect the transfer of the service packages from its tariff to its price list, pursuant to OAR 860-032-0035(11) future revisions to, or withdrawal of, the packages can be effective upon filing with the Commission. The suspension and hearing requirements of ORS 759.180 to 759.190 do not apply to filing or revising a price list.

Pursuant to OAR 860-032-0035(12), the Commission may, at any time, review a telecommunications utility's price-listed services and, after hearing, may order the utility to change its rates, terms or conditions of its price-listed services.

Descriptions of the Services Proposed for Price Listing

The packages and their respective rates proposed for price listing are:

Residential Packages

Ideal Solution	\$ 28.95
Sure Solution I	\$ 26.95
Sure Solution II	\$ 25.95
Custom Solution I	\$ 23.95
Choice Solution	\$ 21.95
Standard Solution I	\$ 18.95
Standard Solution II	\$ 16.95
Basic Solution	\$ 26.95
Classic Solution	\$ 23.95
Core Solution	\$ 34.75
Clear Solution	\$ 33.75
Personal II Solution	\$ 30.95
Home II Solution	\$ 24.95
Safe and Sound II Solution	\$ 16.95
Core Solution Plus	\$ 38.75
Progressive Plan	\$ 25.45
Simple Solution	\$ 19.99

Business Packages

Ideal Solution	\$ 40.95
Sure Solution II	\$ 35.95
Choice Solution	\$ 32.95
Standard Solution I	\$ 30.95
Standard Solution II	\$ 27.95
Basic Solution	\$ 38.95
Classic Solution	\$ 33.95
Priority Solution	\$ 32.95
Economy Bundle II	\$ 31.95
Rotary Classic Solution	\$ 34.45

The packages include an access line and one or more of the following services: Anonymous Call Rejection, Call Forwarding, Caller ID Name and Number, Three-Way Calling, Return Call, Call Forward Busy – Fixed, Call Forward Don't Answer – Fixed, Call Waiting, and toll service.

Conclusions

Staff's analysis outlined above has led to the following conclusions:

- 1) The service packages included in the petition are not essential. The individual services included in the packages will remain available in the company's tariff. The price of each price-listed service package will remain below the sum of the tariffed rates of the individual services in the package and above the sum of the long-run incremental costs of the individual services included in the package. The service packages included in the petition are similar to service packages currently included in Embarq's price list.
- 2) The initial price-listed rates for the service packages will be Embarq's current tariffed rates; therefore, the filing will have no effect on the company's annual revenues.

Commission's Decision Alternatives

The Commission has the following decision alternatives:

- 1) Suspend and further investigate Embarq's petition to price list the petition services.
- 2) Allow the petition to go into effect.

PROPOSED COMMISSION MOTION:

An order be issued granting Embarq's petition to price list its petition packages and directing the company to file a price list consistent with its petition.

The order should include a requirement that: (1) the individual services/features included in the service packages remain available separately in the company's tariff, (2) the total price of each service package shall not exceed the sum of the tariffed rates of the individual service components included in the package, and (3) the decision to grant

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the petition is made without prejudice to future decisions regarding whether any particular services are essential or nonessential, or whether any particular service package should be price listed when some of the underlying services are tariffed.