

ITEM NO. CA2

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 2, 2010

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE  February 16, 2010

DATE: January 21, 2010

TO: Public Utility Commission

FROM: Dave Sloan

THROUGH: Lee Sparling, Bryan Conway, and Irv Emmons

SUBJECT: VERIZON NORTHWEST INC: (Advice No. 988) Introduces a new residential Competitive Response offering called Freedom Value Price Guarantee Offer.

**STAFF RECOMMENDATION:**

Staff recommends the filing be allowed to go into effect.

**DISCUSSION:**

On January 5, 2010, Verizon Northwest Inc. (Verizon) filed Advice No. 988, proposing changes to its tariff, PUC OR. No. 18. The filing introduces a new residential Competitive Response offering called Freedom Value Price Guarantee Offer. The filing offers qualifying residential customers an incentive to subscribe to Verizon wireline voice service and provides Verizon additional flexibility in responding to competitive situations.<sup>1</sup> The effective date is February 16, 2010.

The Freedom Value Price Guarantee Offer provides Freedom Value at a discounted recurring monthly price of \$17.04 to qualifying residential customers. To qualify, a customer must establish new dial tone service, reside in a service area not eligible for Verizon Online Broadband or Verizon FiOS products, subscribe to Regional Value service and subscribe to a qualifying long distance calling plan.

Verizon tested the offering as a service promotion with its Advice Nos. 981 and 986, and with this filing establishes the offer permanently in Competitive Response section of the tariff.

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<sup>1</sup> All of Verizon's customers are in competitive zones as defined in Oregon Revised Statute 759.050, *Competitive zone service regulation*.

The filing is consistent with Oregon Revised Statute (ORS) 759.210, *Classification of service and rates, considerations*, which requires the commission to provide for a comprehensive classification of service for each telecommunications utility. The classification may take into account the quantity used, the time when used, the purpose for which used, the existence of price competition or a service alternative, the services being provided, the conditions of service, and any other reasonable consideration.

Also, If the commission determines that the tariff filing results in a rate classification primarily related to price competition, ORS 759.210 requires the commission to consider: (1) whether the rate generates revenues at least sufficient to cover relevant short and long run costs of the utility during the term of the rates; and (2) whether the rate generates sufficient revenues to insure that just and reasonable rates are established for remaining customers of the telecommunications utility.

The filing includes financial analyses that demonstrate that, for a projected annual customer retention and customer gain result from the program, the revenues will be sufficient to cover relevant short and long run costs and, thus, will not affect the rates for remaining customers.

The filing is consistent with ORS 759.190, *Notice of schedule change required*, and Oregon Administrative Rule (OAR) 860-022-0015, which require a utility to file proposed tariff changes 30 days prior to the time they are to take effect. The filing is also consistent with OAR 860-022-0025, which permits a utility to make tariff changes and establishes the type of information a utility must submit with a tariff filing.

**PROPOSED COMMISSION MOTION:**

Verizon Northwest Inc's Advice No. 988 be allowed to go into effect for service rendered on or after February 16, 2010.