

**PUBLIC UTILITY COMMISSION
OF
OREGON**

EXHIBIT 100

Joint Testimony in Support of Stipulation

June 4, 2018

1 **I. INTRODUCTION**

2 **Q. Please state your names and positions.**

3 A. My name is Jack Phillips. I am Director of Government and External Affairs for Frontier
4 Communications, including Frontier Communications Northwest Inc. (“Frontier NW”) and
5 Citizens Telecommunications Company of Oregon (Citizens) (collectively, “Frontier” or “the
6 Company”). My witness qualifications statement is included as an attachment to this testimony.

7 My name is Stephanie Yamada. I am a Senior Utility Analyst in the Telecommunications and
8 Water Division of the Public Utility Commission of Oregon. My witness qualifications
9 statement is included as an attachment to this testimony.

10 My name is Samuel Pastrick. I am the Outreach Manager of the Oregon Citizens’ Utility Board
11 (“CUB”). My witness qualifications statement is included as an attachment to this testimony.

12 **Q. What is the purpose of your joint testimony?**

13 A. The purpose of the joint testimony is to describe and support the stipulation (“Stipulation”)
14 amongst Frontier, Staff of the Public Utility Commission of Oregon (“Staff”), and CUB (“Parties
15 to the Stipulation” or the “Joint Parties”) filed in Docket UM 1895 on May 10, 2018. Docket
16 UM 1895 was opened to consider Frontier’s Petition for Approval of a Price Plan Pursuant to
17 ORS 759.255, filed on September 7, 2017. Frontier NW is currently regulated under a price plan
18 set to expire on August 17, 2018. Citizens is currently regulated under ORS 759.175-759.190.
19 In this filing, Frontier proposes to establish a unified Price Plan that will govern both Frontier
20 NW and Citizens. The term “Petition” as used in the Stipulation and in this joint testimony

1 refers to Frontier’s petition for approval of the price plan in the form attached to the Stipulation
2 as Exhibit A (the “Price Plan” or “Plan”).

3 **Q. Do the Joint Parties believe the Stipulation resolves all of the issues in this proceeding?**

4 A. Yes. The Joint Parties support the Stipulation and the Price Plan and agree that the
5 Commission should expeditiously issue an order approving the Petition, the Stipulation, and the
6 Price Plan.¹

7 **Q. Do the Parties take different positions regarding the Price Plan?**

8 A. To a certain extent, yes. As the Stipulation states, the Stipulation and Plan represent
9 compromises in the positions of the Joint Parties, who negotiated the Stipulation as an integrated
10 document and recommend that the Commission adopt the stipulation Plan in its entirety.²
11 Frontier, Staff and CUB, in sponsoring this joint testimony, assert that the terms of the stipulated
12 Plan meets the statutory criterion under ORS 759.255 of being in the public interest.³

13 **Q. Are all parties to the proceeding included in the Stipulation?**

14 A. Yes.

15 **Q. If the Commission rejects any part of the Stipulation, are the Parties entitled to**
16 **reconsider their participation in the Stipulation?**

17 A. Yes, paragraph 15 of the Stipulation states that if the Commission were to reject all or any
18 material part of this Stipulation or the Price Plan, or imposes additional material conditions in

¹ Stipulation ¶¶ 2, 8, 14.

² Stipulation ¶¶ 8, 15, 16.

³ Stipulation ¶ 12.

1 approving the Stipulation and the Price Plan, any Party disadvantaged by such action shall have
2 the right, upon written notice to the Commission and all other Parties within 15 business days of
3 the Commission’s order, to withdraw from the Stipulation, seek reconsideration or appeal of the
4 Commission’s order, or both. However, prior to withdrawal, any such Party shall engage in
5 good faith negotiation with the other Joint Parties. No Party withdrawing from the Stipulation
6 shall be bound to any position, commitment, or condition of this Stipulation.

7 **Q. What other terms does the Stipulation include?**

8 A. The Stipulation represents negotiated compromises among the Parties. Thus, the Parties
9 agree in paragraph 16 of the Stipulation that no Party will be deemed to have approved, admitted,
10 or consented to the facts, principles, methods, or theories employed by any other Party in
11 arriving at the terms of this Stipulation, other than as specifically identified in this Stipulation.
12 No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for
13 resolving issues in any other proceeding, except as expressly identified in the Stipulation.

14 **Q. How is your testimony organized?**

15 A. This testimony is organized as follows:

16	I.	Introduction.....	1
17	II.	Procedural History	4
18	III.	Driving Forces Behind Frontier’s Petition.....	4
19	IV.	Overview of the Plan’s Key Plan Terms and Conditions	7
20	V.	The Price Plan Meets the Requirements of ORS 759.255	25
21	VI.	Recommendation	39

1 **II. PROCEDURAL HISTORY**

2 **Q. What is the procedural history in this docket?**

3 A. Frontier filed its petition for approval of a Price Plan on September 7, 2017. Subsequent to
4 that petition, CUB filed an unopposed petition to intervene, and that petition was granted.
5 Representatives of Frontier, Commission Staff and CUB attended a prehearing conference on
6 November 1, 2017, during which ALJ Kirkpatrick issued a prehearing conference memorandum
7 outlining certain dates the parties agreed to for interventions, workshops and settlement
8 conference, and status reports back to the Judge. Parties held workshop/settlement conferences
9 on November 21, 2017, December 14, 2017, January 23, 2018, February 13, 2018 and April 25,
10 2018. The Joint Parties came to an agreement in principle at the April 25, 2018
11 workshop/settlement conference and both finalized and filed the Stipulation document with the
12 Commission on May 9, 2018.

13 **III. DRIVING FORCES BEHIND FRONTIER'S PETITION**

14 **Q. What led Frontier to file for the Price Plan at this time?**

15 A. Frontier NW's current plan expires on August 17, 2018 and Frontier NW must file for a new
16 plan or another form of regulation. Further, Frontier has included Citizens under the price plan
17 to ensure consistent rates and regulatory flexibility across the combined service territories.
18 Frontier also offers several further assertions regarding its motivation to file for pricing
19 flexibility under a Price Plan rather than another form of regulation. Frontier asserts that further
20 reductions in regulation and greater pricing flexibility in a new price plan under ORS 759.255
21 are appropriate given continued growth in competition and a need to further transition toward
22 parity of regulation among Frontier and Frontier's competitors for it to remain a competitive

1 service provider. In its January 18, 2017 Price Plan Performance Report (“Performance Report”)
2 Frontier NW identified their competition, including traditional facilities-based carriers such as
3 Comcast, Charter, Wave, Comspan, Pacific Wave, Priority One, SCS Communications, Integra,
4 Level 3, XO Communications, AT&T and Verizon. Additional competitors include intermodal
5 competitors such as the wireless carriers AT&T, Verizon, Sprint, T-Mobile, US Cellular, Cricket
6 Wireless as well as VoIP providers Vonage, Ymax, Basic Talk, Ooma and Google. Frontier also
7 asserts that continued expansion of broadband connections into rural Oregon has made VoIP a
8 substitute for traditional voice service technologies. Frontier NW’s Performance Report noted
9 that Frontier NW has 116 interconnection agreements in Oregon with competitors that include
10 CLECs, wireless carriers, cable companies, and other interconnected VoIP providers.

11 Frontier’s Petition explains that Frontier continues to experience a loss of access lines. Frontier
12 NW serves approximately 103,000 access lines in Oregon, which is down 43% from its 180,000
13 access lines when it filed its 2013 price plan petition in November 2013. Citizens serves less
14 than 6,700 access lines in Oregon, down 44% from over 12,000 access lines in 2006.⁴

15 Frontier asserts that it continues to operate under a more regulated framework than the
16 Company’s competitors do, with less rate flexibility and greater regulatory obligations. For
17 example, as a carrier of last resort, Frontier bears the obligation to build and maintain a network
18 throughout its entire legacy service area for any customer that requests fixed landline service.
19 Frontier characterizes this as a significant distinction between Frontier and its competitors.
20 Furthermore, Frontier asserts that as an incumbent local exchange carrier (ILEC) with a
21 geographic service area designated in an era of very little or no telecommunications competition,

⁴ Petition at 4.

1 it must make its services available to customers without regard to the on-going cost of serving
2 those customers. Frontier's competitors do not bear the same obligations to maintain a network
3 available to all potential customers throughout that service area, regardless of the cost to serve or
4 density of the area and are therefore free to serve only the profitable subsets of the geographic
5 areas. As an ILEC, Frontier must ensure availability of quality telecommunications services at
6 just and reasonable rates. Frontier asserts that it is in the public interest that, as it is the sole
7 provider in its designated service territory with these obligations, that Frontier's regulatory
8 framework allows it to compete effectively in the market. Therefore, Frontier requests additional
9 pricing and regulatory flexibility in this Plan. In addition to enabling both Frontier NW and
10 Citizens to compete more ably in the current telecommunications market, the Plan will also
11 simplify the administration of both companies' rates by standardizing the regulatory treatment
12 between the two companies.

13 **Q. Do all of the parties agree with Frontier's assertions regarding the competitive**
14 **landscape?**

15 A. No. No party has taken a position on whether the claims regarding Frontier's competitive
16 landscape in Oregon are valid, nor is it necessary to construct a price plan under ORS 759.255.
17 The Stipulation is a compromise by all parties to obtain settlement. Only issues affirmatively
18 agreed to by all parties in the Stipulation represent joint positions. However, as is discussed later
19 in this testimony, the Joint Parties agree that approval of the Price Plan is in the public interest
20 and meets the standards for review required under ORS 759.255(2). The Joint Parties
21 unanimously recommend that the Commission approve the Stipulation and the Price Plan.

22

1 **IV. OVERVIEW OF THE PRICE PLAN'S KEY TERMS AND CONDITIONS**

2 **Q. Please provide a high-level summary of the major pricing features of the Price Plan.**

3 A. The Price Plan provides Frontier greater pricing flexibility, enabling the Company to price its
4 services commensurate with the competitive market. The Plan provides additional pricing
5 flexibility for Frontier NW over the current plan and adopts a consistent approach for Citizens.⁵
6 Not only will the Plan provide additional pricing flexibility for Frontier to compete more ably in
7 the market, the waiver of certain statutes and rules will reduce and streamline Frontier's
8 reporting and regulatory processes. The ability to begin to unify certain pricing and unify terms
9 and conditions between the Frontier companies will improve billing system, call center and
10 collateral material efficiencies.

11 The Plan affords Frontier additional pricing flexibility for all of its business services and for its
12 popular residential phone service offerings – Packages and Bundles, as well as individual call
13 features. Packages, Bundles and call features for residential services have no specific caps on
14 rates under the Plan, other than the requirement that the price of a package or bundle may not
15 exceed the sum of the standalone retail process of all services available in the package or bundle.
16 While the Stipulation provides for greater pricing flexibility, it provides substantive protections
17 such as retaining existing service area-wide rate averaging to assure all Frontier customers
18 realize the benefits of competition and it provides protections to assure primary line business and
19 residential services will not only remain but also remain available on a stand-alone basis.

⁵ Adopting a consistent approach between these companies is consistent with the Commission's decision in Order No. 15-383.

1 **Q. Please describe the key pricing flexibility and Frontier commitments under the Price**
2 **Plan for residential primary line basic service.**

3 A. The Price Plan provides additional pricing flexibility for Frontier while providing important
4 pricing and service availability safeguards for residential customers as outlined below.

5 Availability of service

6 Primary line basic service is a voice telecommunications service with inward and outward
7 dialing capabilities, without any call features such as call-forward and caller-ID. In addition to
8 local calling, this service provides access to E911 dispatch centers and access to carriers for long
9 distance calling plans. With respect to residential service, the Price Plan defines primary line
10 basic service to include the first line only of residential single party flat rate local exchange
11 service or residential single party measured local exchange service.⁶ Under the Price Plan,
12 Frontier commits to continue to make stand-alone residential primary line basic service available
13 throughout the two companies' respective service areas for the term of the Plan.⁷

14 Residential primary line basic service rate cap: Flat-rated service

15 Frontier NW's current monthly flat-rated (non-usage based) residential basic line rate is \$15.59,
16 and Citizens' is \$15.67. At the initiation of the Plan, Frontier may unify its rates in Oregon to
17 \$15.67 to improve call center, billing and marketing efficiencies.⁸ In addition, Frontier has the
18 ability to increase its primary line basic residential service rates no more than \$3 in any Plan year
19 and no more than \$10 over any four-year term of the Plan.⁹

20 Residential primary line basic service rate cap: Measured service

⁶ Price Plan § 1.g.

⁷ Price Plan § 4.a.

⁸ Price Plan § 4.e.iii.

⁹ Price Plan § 4.e.i.

1 In addition to flat-rated residential primary line basic service, Frontier NW offers a measured
2 service that has a lower monthly rate with measured usage charges billed on exchange and EAS
3 calls or just EAS calls, depending on the service option chosen. Measured usage rates are
4 charged on a per-minute basis and are currently discounted during certain times of day and on
5 certain days or holidays. Measured service may be an attractive low-cost offering for residential
6 customers with little out-bound calling. Frontier NW's measured service offering is currently
7 priced at approximately 70% of the flat-rated service rate plus usage charges. Frontier NW
8 commits in the Plan to price the fixed monthly portion of the measured service rate at no greater
9 than 70% of the flat-rated service and may increase the per-minute usage part of the measured
10 service rate by the greater of 25 percent or \$0.50 per Plan year, consistent with price cap for
11 "Other Services."¹⁰ Frontier NW also commits to continue to offer this service option
12 throughout its service areas for the term of the Plan unless Frontier petitions the Commission to
13 grandfather or discontinue this service option and the Commission grants such a petition.
14 Because the Plan includes measured service in the Plan's definition of primary line basic
15 service,¹¹ and Frontier commits to offering primary line basic service as a part of the Plan,¹²
16 Section 3.b of the Plan effectively prohibits Frontier from seeking to grandfather or discontinue
17 measured service until the end of the third year of the first Plan term, when it can seek
18 modification of the Plan.¹³

19 Non-recurring charges for residential primary line basic service

¹⁰ Price Plan §§ 4.e.ii, 4.k.

¹¹ Price Plan § 1.g.

¹² Price Plan § 4.b.

¹³ Price Plan § 3.b (permitting Frontier to seek modification of the Plan not sooner than the third anniversary of any Plan term).

1 Non-recurring charges for residential primary line basic service are the charges Frontier may bill
2 for establishment of service or a change of service.¹⁴ While Frontier may run promotions to
3 waive non-recurring charges, both Frontier NW and Citizens have three non-recurring charges
4 that may apply, depending on the type of installation or service change request: Initial Service
5 Order Charge, CO (Central Office) Connection Charge and Line Work Charge. The rates for
6 these services currently differ between the two companies, as summarized in the table below.

Charge	Current Citizens Rate	Current Frontier NW Rate
Initial Service Order Charge	\$5.00	\$15.00
CO Connection Charge	\$12.00	\$10.00
Line Work Charge	\$5.00	\$5.00

7
8 When added together, the sum of Frontier NW's charges is \$30 and the sum of Citizens' charges
9 is \$22. During the first year of the Plan, Frontier may change Citizens' three rate elements to
10 equal those of Frontier NW.¹⁵ Beginning in the second year of the initial four-year Plan term,
11 Frontier may increase the combined sum of the three rates by up to \$1, annually.¹⁶ Again, this
12 will enable Frontier to standardize terms and conditions across the two companies, resulting in
13 less customer confusion and improvement of billing, call center and collateral material
14 efficiencies.

15 Extended area service (EAS)

16 Both Frontier companies provide EAS service, which provides the ability to call other, nearby
17 wire centers with which there is a community of interest. Telephone service providers

¹⁴ Price Plan § 4.c (discussing pricing flexibility for Initial Service Order Charge, Central Office Connection Charge, and Access Line Work Charge).

¹⁵ Price Plan § 4.c.i

¹⁶ Price Plan § 4.c.ii.

1 historically established EAS as a way for customers to call others in these nearby communities
2 without paying toll rates with a long-distance carrier.¹⁷ Frontier commits to cap the rates for
3 mandatory EAS at the pre-plan rates with no increases during the term of the plan.¹⁸ For purpose
4 of bill simplification, Frontier would be permitted to combine the mandatory EAS charge with
5 the residential primary basic line rate to display as a single line bill item.

6 Features

7 Frontier offers call features, which are typically central office-based features that enhance the
8 functionality of primary line basic service. Examples include call forwarding, call waiting, speed
9 calling and caller ID. These features are currently available on either a stand-alone basis
10 (customers can purchase individually) and some are available as part of a package (residential
11 primary line basic service offered with other price-regulated services) or a bundle (regulated
12 services combined and offered with non-regulated services). Under the Plan, prices for certain
13 lists of features would not be subject to a price cap¹⁹; the Joint Parties expect market forces to
14 discipline the prices for these features. Frontier commits to continue to offer features on a stand-
15 alone basis,²⁰ so customers will not be required to purchase a package or bundle but will
16 continue to have the option of purchasing the features individually. Prices for features and
17 services not on these lists, if not otherwise addressed by the terms of the Price Plan, would be
18 subject to the “Other Services” price cap, which would allow price increases of the greater of 25

¹⁷ See Harry Newton, *Newton’s Telecom Dictionary* 469 (30th Ed, 2016) (referring to EAS as “a novel name for a larger than normal local telephone calling area”).

¹⁸ Price Plan § 4.g.

¹⁹ Price Plan § 4.j (stating the lists of features not subject to price caps: “Calling Services” as listed in Section 6 of the Frontier-Northwest Statewide Price List as of May 9, 2018 and “Custom Calling Service” and “Customized Local Area Signaling Service (CLASS)” as listed in Section IV of the Citizens Tariff (P.U.C. OR No. 3) as of May 9, 2018).

²⁰ Price Plan § 4.q.i (“All regulated telecommunications services offered as part of a package or bundle shall remain separately available for purchase from Frontier’s Rate Schedules.”).

1 percent or \$.50 per Plan year.²¹ The Price Plan, as discussed further below, separately addresses
2 Toll Restriction, Call Trace, Unlisted Numbers and Non-Published Numbers.

3 **Q. Please describe the pricing flexibility and Frontier commitments under the Price Plan**
4 **for business services.**

5 A. Reflecting the more competitive nature of business services, the Price Plan provides for
6 additional pricing flexibility for Frontier's business services while imposing certain availability
7 protection and pricing restrictions, which afford protection for business customers as outlined
8 below.

9 Availability of service

10 Business primary line basic service is a voice telecommunications service with inward and
11 outward dialing capabilities, without any call features such as call-forward and caller-ID. In
12 addition to local calling, this service provides access to E911 dispatch centers and access to
13 carriers for long distance calling plans. With respect to business service, the Price Plan defines
14 primary line basic service to include the first line only of business single party flat rate local
15 exchange service or business single party measured local exchange service, both including
16 Frontier NW's Rate Groups 1, 2, and 3.²² Under the Price Plan, Frontier commits to continue to
17 make stand-alone business primary line basic service available throughout the two companies'
18 respective service areas for the term of the Plan.²³ This assures that business customers will be
19 able to purchase a basic business line without a requirement that it purchase additional features
20 or packages or bundles.

²¹ Price Plan § 4.k.

²² Price Plan § 1.g.

²³ Price Plan § 4.b. Business single party measured local exchange service is only offered by Frontier NW.

1 Price caps

2 Under the Price Plan, Frontier's recurring rates and non-recurring charges for business services
3 will not be subject to price caps, except as described below.²⁴ To assure that all Frontier
4 business customers benefit from competition, the Price Plan imposes pricing restrictions which
5 prohibit further rate deaveraging and prevents Frontier NW from increasing the dollar
6 differences for prices between the rate groups for business primary line basic service.²⁵
7 Furthermore, to limit pricing disparities between the two Frontier companies and protect
8 business customers in less competitive areas, the Plan restricts the business primary line basic
9 service rate for Citizens from being higher than the rate charged by Frontier NW in Rate Group
10 2.²⁶ This pricing restriction assures that business customers in Citizens' more rural service areas
11 also realize the benefit of competition in Frontier NW's more urban and competitive markets.

12 DS-1, DS-3 and ISDN-PRI services

13 Intrastate DS-1 and DS-3 are point to point data services offered between locations within
14 Oregon and that carry less than 10% interstate usage. ISDN-PRI is a switched service, which
15 provides up to 23 voice and/or data channels with the voice channels having access to the public
16 switched network. Medium to large business would typically order this service for inbound
17 and/or outbound calling over a single facility. Similar to other business services, these are highly
18 competitive services and would not be subject to price caps under the Price Plan.²⁷

19 **Q. How are Directory Listings treated under the Plan?**

²⁴ Price Plan § 4.f.i.

²⁵ Price Plan § 4.r.

²⁶ Price Plan § 4.f.ii.

²⁷ Price Plan § 4.m.

1 A. “Directory listing” service is the publication (either paper or on-line directory) of the
2 customer’s name, address and phone number. The first listing is currently included in both
3 residential primary line basic service and business primary line basic service. Frontier commits
4 to continue to include the first directory listing at no additional charge, including for customers
5 who obtain primary line basic service in a package or bundle.²⁸ Additional listings beyond the
6 initial listing are price capped with increases limited to no more than 25% in any Plan year.²⁹

7 **Q. How are Toll Restriction, Call Trace, Unlisted Numbers and Non-Published Numbers**
8 **treated under the Plan?**

9 A. There is a greater public interest in assuring consumer protection for these four services for
10 certain customers. The Plan therefore includes pricing protections tailored to the public interest
11 served by each of the services.

- 12 • Toll restriction is a functionality that may be added to a line, which restricts a line from
13 being able to place long distance toll calls. The Plan recognizes the public interest in
14 maintaining the availability and assured pricing of this service that protects a subscriber’s
15 line from unauthorized long-distance calling, and therefore from payment or other
16 difficulties that may result from charges based on toll calling. The Plan caps the rate for
17 toll restriction at the pre-Plan level.³⁰
- 18 • Call trace is a service that permits Frontier to attempt to capture and record an originating
19 calling party’s name and/or phone number to provide this information to law enforcement
20 in investigations in which the service subscriber is typically the victim. The Plan

²⁸ Price Plan § 4.h.i.

²⁹ Price Plan § 4.h.ii.

³⁰ Price Plan § 4.i.i.

1 recognizes the public interest in maintaining the availability and assured pricing of this
2 service for public safety purposes. The Plan caps the rate for call trace at the pre-Plan
3 level.³¹

- 4 • Residential unlisted numbers are a restriction placed on a customer's name, number and
5 address that prevent that information from being made available for directories or callers
6 to directory assistance. This may be used by a victim of abuse or stalking, among others,
7 to restrict the availability of their number and address from being made available to
8 directory assistance providers by the telecommunications service provider. The Plan
9 recognizes the public interest in maintaining the availability and assured pricing of this
10 service for public safety purposes and caps the rate for residential unlisted numbers at the
11 pre-Plan rate, while allowing Citizens to set the rate for this service at a rate equal to that
12 charged by Frontier NW.³²

- 13 • Business customers do not typically share the same privacy or safety concerns regarding
14 the publication of names, numbers, and addresses as those of residential customers.
15 Therefore, the Price Plan provides caps on increases to the monthly rate for business
16 unlisted numbers of \$1 annually or \$3 over the term of the Price Plan rather than a cap at
17 pre-Plan rates.³³

- 18 • Non-published numbers are similar to unlisted numbers in that the customer's number is
19 not printed or published in Frontier directories. However, unlike unlisted numbers, non-
20 published numbers are obtainable through directory assistance. Because the customer
21 privacy and safety risks associated with non-published numbers are therefore typically

³¹ Price Plan § 4.i.i.

³² Price Plan § 4.i.ii.

³³ Price Plan § 4.i.iii.

1 not as great as those associated with unlisted numbers, the Price Plan provides for a cap
2 on increases to the monthly rate for non-published numbers of \$1 annually or \$3 over the
3 term of the Price Plan rather than a pre-Plan cap.³⁴

4 **Q. How are E911 Services treated under the Price Plan?**

5 A. E911 services include the services Frontier provides to public safety agencies for the
6 provision of E911 service. Because of the heightened public interest associated with E911
7 services, the rates, terms and conditions for E911 services provided in Frontier's rate schedules
8 as of the effective date of the filing of the Price Plan will remain at pre-Plan status, except that
9 Frontier may petition the Commission separately for any proposed rate changes or price
10 structures.³⁵

11 **Q. How are services provided under interconnection agreements (ICAs) affected by the**
12 **Price Plan?**

13 A. The Price Plan does not change any of Frontier's obligations under ICAs or alter any
14 obligations under 47 USC §§ 251 or 252.³⁶

15 **Q. How are switched access rates impacted under the Price Plan?**

16 A. Rates for intrastate switched access services will be capped at pre-Plan rates and the
17 Commission may adjust the price caps if required by FCC action.³⁷

³⁴ Price Plan § 4.i.iv.

³⁵ Price Plan § 4.n.

³⁶ Stipulation ¶ 10.

³⁷ Price Plan § 4.o.

1 **Q. How will services identified in Frontier’s Rate Schedules as being “cost based” be**
2 **impacted under the Price Plan?**

3 A. Some services contained in Frontier’s rate schedules are designated as being offered “at
4 cost.” Services identified as being priced at cost in Frontier’s Rate Schedules will continue to be
5 priced at actual cost.³⁸

6 **Q. How will other regulated services, not specifically addressed in the Price Plan, be**
7 **impacted under the Price Plan?**

8 A. Increases in prices for services in Frontier’s Rate Schedules that are not specifically
9 addressed in the Price Plan will be capped at the greater of 25% or \$.50 per Plan year.³⁹

10 **Q. How will new services introduced after the effective date of the Price Plan be regulated?**

11 A. Any new service introduced after the effective date of the Price Plan will not be subject to
12 price caps.⁴⁰ A service will not qualify as a new service if it merely renames, repackages, or is a
13 variation of an existing service, or if it is reintroduced in substantially the same form after having
14 been grandfathered, withdrawn, or abandoned.⁴¹

15 **Q. Are there customer protections related to bundled and packaged services?**

16 A. Yes. First, there is a price cap limiting the price for packages and bundles at the sum of the
17 individual component rates.⁴² That would prevent Frontier from offering a package or bundle at

³⁸ Price Plan § 4.l.

³⁹ Price Plan § 4.k.

⁴⁰ Price Plan § 4.p.

⁴¹ Price Plan § 1.b.

⁴² Price Plan § 4.q.ii.

1 a price higher than if the customer purchased all of the package or bundle components at
2 individual product rates. Second, there is an additional protection assuring that components
3 available within a package or bundle are also available on a stand-alone basis.⁴³ That would
4 prevent Frontier from tying the availability of a particularly attractive service or feature to a
5 customer's subscription to a higher priced package or bundle.

6 **Q. Please describe the Facility Surcharge in the Price Plan and the rationale for the**
7 **surcharge.**

8 A. Frontier would be permitted to implement a surcharge under the Price Plan that would allow
9 it to recover certain facilities costs, which are costs that can vary greatly from year to year and
10 that are in part beyond its control.⁴⁴ Frontier already charges a similar surcharge in several other
11 states in which it offers service. The surcharge would help recover facilities-related costs,
12 including but not limited to costs associated with facility relocation that go beyond the ordinary
13 course of business and over which Frontier has little option except to incur the cost. The Price
14 Plan has several protections associated with implementation of such a surcharge. First, and most
15 importantly, the initial surcharge and any changes in the surcharge would count towards both the
16 Price Plan's annual and term price caps for primary line basic residential service rates, as
17 reductions to the amount the basic residential rate could otherwise be increased.⁴⁵ This allows
18 the surcharge to operate as a form of pricing flexibility within the price caps described in the
19 Plan. Second, the surcharge must be a single uniform rate applied statewide on a

⁴³ Price Plan § 4.q.i.

⁴⁴ Price Plan § 5.

⁴⁵ Price Plan § 5.a.

1 nondiscriminatory basis.⁴⁶ This will prevent it from being used as a mechanism for price
2 discrimination against certain customers or geographic areas of the state. Third, if Frontier
3 elected to implement the surcharge, it would first be required to file a tariff change including the
4 applicable terms and conditions.⁴⁷ Fourth, Frontier would be required to provide notice to
5 customers 30 days before implementing the surcharge or making changes to the terms and
6 conditions.⁴⁸ Finally, if Frontier elects to implement such a surcharge, it will engage in good
7 faith discussions with the Commission Staff and CUB to reach agreement on how the surcharge
8 will be labeled on customer bills to assure it accurately describes the costs it will recover.⁴⁹

9 **Q. Are there changes included in the Price Plan regarding recovery of mandatory taxes**
10 **and fees?**

11 A. Yes. Under the Price Plan Frontier may, with 30 days' notice to customers and the
12 Commission, recover the entire public utility Privilege Tax at the tax rate imposed by the
13 municipality. While the Commission previously permitted Frontier NW to display the privilege
14 tax as a separate line item on customer bills, doing so resulted in a corresponding reduction to
15 Frontier's price cap flexibility.⁵⁰ This Price Plan would permit both Frontier NW and Citizens to
16 display and recover the full privilege tax as a separate line item, and would not result in a
17 corresponding change to the price cap.⁵¹ The Price Plan also permits Frontier NW and Citizens
18 (after 30-day customer notice) to include on customer bills as a separate line item a fee to
19 recover the OPUC fee, again without a corresponding change to the price cap.⁵² The ability to

⁴⁶ Price Plan § 5.a.

⁴⁷ Price Plan § 5.b.

⁴⁸ Price Plan § 5.c.

⁴⁹ Price Plan § 5.d.

⁵⁰ Order No. 14-290, at 11 & Ex. A, at 5 (Aug. 18, 2014).

⁵¹ Price Plan § 6.a.

⁵² Price Plan § 6.b.

1 itemize the entire Privilege tax and the OPUC fee on customer bills will put Frontier on a more
2 level basis with its competitors and will take a step toward greater transparency regarding
3 recovery of mandatory taxes and fees.

4 **Q. Please describe the main service quality components of the Price Plan.**

5 A. Frontier will continue to be subject to the Commission's service quality rules.
6 Notwithstanding this condition, Frontier may elect to file a petition with the Commission to open
7 a rulemaking to revise the Commission's service quality rules.⁵³ While the Joint Parties agree
8 that they would not unreasonably oppose the initiation of a service quality rulemaking, there is
9 no commitment as part of this Price Plan that the Joint Parties would support any particular
10 modifications to the rules that Frontier proposes.

11 **Q. Please explain the exogenous change provision of the Price Plan.**

12 A. As with the current Frontier NW price plan, there is a provision that addresses exogenous
13 adjustments. This provision would permit Frontier to petition the Commission for adjustments to
14 the Plan to reflect changes in circumstances outside of Frontier's control that have an overall
15 material impact on it.⁵⁴ For example, this could include changes in law, rules or taxes resulting
16 from legislative, judicial or administrative action. While Frontier NW did not experience any
17 changes necessitating a filing under the analogous provision of the current plan, this provision
18 provides a procedural process for addressing such a circumstance in the event it occurs during
19 the term of this Plan.

⁵³ Price Plan § 12.

⁵⁴ Price Plan § 7.

1 **Q. Does the Plan change Frontier’s obligations as a carrier of last resort?**

2 A. No. Staff and CUB assert that Frontier remains a carrier of last resort (COLR) under ORS
3 759.506 in its allocated service territories. Staff and CUB assert the COLR obligation cannot be
4 waived under ORS 759.255. Generally, the COLR statute requires a certificated carrier to
5 provide adequate, safe local exchange telecommunications service to all customers in its territory
6 in an adequate and nondiscriminatory manner.⁵⁵ To strike a balance between these statutory
7 COLR obligations and the changing competitive landscape against which Frontier operates, the
8 Joint Parties agreed to a provision addressing and modifying line extension policy to give
9 Frontier relief from a primary cost that results from its COLR status

10 **Q. Please describe the provision of the Plan addressing line extensions.**

11 A. This provision permits Frontier to revise its rate schedules to charge customers for
12 extensions of network facilities to render service, so long as Frontier only imposes such charges
13 for a line extension where the actual costs exceed \$2,000 and only imposes line extension
14 charges for the portion of the actual costs that exceeds \$2,000.⁵⁶ Recognizing Frontier’s carrier
15 of last resort obligations, this provision strikes a balance between Frontier making reasonable
16 accommodation to extend facilities to new customer locations beyond its existing network and
17 being able to maintain affordable rates throughout its serving areas. Frontier would be permitted
18 to waive line extension charges.⁵⁷ With respect to this right to waive line extension charges, the
19 Joint Parties note that a statutory prohibition on unjust discrimination applies to Frontier,

⁵⁵ ORS 759.506(1).

⁵⁶ Price Plan § 11.a.

⁵⁷ Price Plan § 11.b.

1 preventing it from using waivers of line extension charges to unjustly discriminate between
2 customers receiving like and contemporaneous service under substantially similar
3 circumstances.⁵⁸

4 **Q. How does the line extension provision of the Plan differ from Frontier's current tariffs?**

5 A. Frontier NW's current rate schedule generally provides that it will extend facilities up to 528
6 feet at Frontier NW's expense, with the requesting customer paying all remaining construction
7 costs.⁵⁹ Citizens' current rate schedule generally provides that it will extend facilities up to 1000
8 feet at Citizens' expense, with the requesting customer paying all remaining construction costs.⁶⁰
9 Unlike these provisions, the proposed Plan's line extension provision ties Frontier's obligation
10 to cover expenses to a particular dollar amount of costs, rather than a particular distance.

11 **Q. Please explain why the Joint Parties support the line extension provision in the Plan.**

12 A. Because construction costs can vary significantly depending on circumstances (such as
13 terrain and proximity of new locations to public roads), this provision will provide more
14 certainty and protection to Frontier regarding the costs of its COLR obligations. The Joint
15 Parties view this as a substantial but appropriate policy adjustment in light of the changed
16 competitive circumstances in which Frontier operates. This provision also aligns Frontier's
17 telecommunications line extension charges with those of gas and electric providers, which are
18 based on a specified dollar amount of cost allowance.⁶¹ Under this provision of the Plan,

⁵⁸ ORS 759.260(1)(b).

⁵⁹ Frontier NW Statewide Price List, Section 3, Original Sheet 19-20.

⁶⁰ Citizens Tariff PUC OR No. 3, Section III, Schedule 5, Original Sheet 1.

⁶¹For example, Portland General Electric provides a line extension allowance of \$1,623 and Northwest Natural Gas provides an allowance ranging from \$0 to \$2,875, depending on type of gas appliances connected. See PGE Oregon No. E-18, Schedule 300, Sheet No. 300-6 (Fourth Revision); Northwest Natural Gas PUC Or. 25, Schedule X, Sheet X-5 (Original).

1 Frontier would be obligated to cover the first \$2,000 of actual construction costs before it could
2 pass along any additional cost to the requesting customer.

3 **Q. Please describe the term of the Plan.**

4 A. The initial term of the Price Plan is four years. Unlike Frontier NW's current price plan, the
5 Price Plan would automatically renew for successive four-year terms, unless suspended or
6 modified by a change in applicable law or an order of the Commission.⁶² Frontier may file a
7 petition to propose modifications to the Plan not sooner than the third anniversary of each four-
8 year Plan term. Frontier may also, at any time during the Plan, file a petition pursuant to ORS
9 759.052 or any other form of regulation or relief that may be available under Oregon law.⁶³ The
10 rationale for the automatic renewal or "evergreen" provision is to provide for greater regulatory
11 certainty for all parties while avoiding the need to expend Commission and the Joint Parties'
12 resources in renegotiating new price plans on a recurring basis if there is little compelling need to
13 modify the Price Plan.

14 **Q. Please describe the conditions for review of Frontier's performance under the Price**
15 **Plan.**

16 A. The Price Plan provides for two forms of Commission review. The first is the Commission's
17 review every four years of a performance report that Frontier is required to submit at the end of
18 the third year of each four-year term.⁶⁴ The performance report will separately detail the
19 performance and progress of Frontier NW and Citizens and address how the companies are
20 meeting the objectives of the Price Plan. The report will include specific information related to

⁶² Price Plan § 3.a.

⁶³ Price Plan § 3.b.

⁶⁴ Price Plan §§ 3.c, 3.d.1.

1 market conditions, gain or loss of access lines, identification of new services introduced,
2 identification of efficiencies resulting from reduction in regulatory burdens, and a list of all price
3 changes made during the term relative to the associated price caps imposed by the Price Plan.

4 The second form of review would occur at the Commission's option and may occur at any time
5 pursuant to ORS 756.515 if the Commission undertakes to determine whether further
6 adjustments to the Price Plan or termination of the Price Plan is required by the public interest.⁶⁵

7 Under such a review, the Commission may order adjustments to the Price Plan or terminate the
8 Price Plan only after providing Frontier with notice and the opportunity for a hearing. In the
9 event of such an investigation, the Joint Parties agree that the Commission should first attempt to
10 identify and require adjustments to the Price Plan such that the continuation of the Price Plan is
11 in the public interest before it orders termination of the Price Plan.

12 **Q. What happens if the Commission were to terminate the Price Plan as described above?**

13 A. Frontier would no longer be able to increase its rates as it was permitted under the Price Plan
14 but would be permitted to reduce rates. Frontier could pursue any form of price regulation or
15 relief then permitted under Oregon law, including but not limited to: exemption from regulation;
16 price listing; rate of return regulation; another price plan; and/or price cap regulation.

17 Additionally, the Commission may adjust Frontier's rates to ensure Frontier's rates are just and
18 reasonable. However, the Joint Parties agree not to advocate for rates that are lower than those
19 in effect one year prior to initiation of the proceeding to terminate the Plan.

20 **Q. Please generally describe the waivers of statutes and rules contained in the Plan.**

⁶⁵ Price Plan § 3.d.2.

1 A. As outlined in Section 14 of the Price Plan, the Plan provides for the waiver – in whole or in
2 part – of certain statutes and rules. Some of these statutes and rules involve the reporting of
3 information by Frontier that would no longer be useful either to the Commission or to Frontier.
4 Others involve unnecessary administrative burdens for all parties in light of the Price Plan.

5 **V. THE PRICE PLAN MEETS THE REQUIREMENTS OF ORS 759.255.**

6 **Q. What is the standard that governs the Commission’s decision to approve this price**
7 **plan?**

8 A. The Price Plan is filed pursuant to ORS 759.255. Prior to granting a petition to approve a
9 price plan under that statute, the Commission must find that the plan is in the public interest.
10 ORS 759.255(2) delineates four criteria the Commission shall consider, among other matters, in
11 making its public interest determination. Those four criteria are:

- 12 a) Ensures rates for telecommunications services that are just and reasonable;
- 13 b) Ensures high quality of existing telecommunications services, and makes new services
14 available;
- 15 c) Maintains the appropriate balance between the need for regulation and competition;
16 and
- 17 d) Simplifies regulation.

18 Additionally, the Joint Parties agreed the Plan should also fulfill two related purposes included in
19 the Plan’s General Objectives: to ensure a regulatory framework for offering telecommunications

1 services that is in the public interest and to specifically maintain the availability of Primary Line
2 Basic Service at affordable rates throughout Frontier's service territory.⁶⁶

3 **Q. How can the Commission be assured that each of these criteria are satisfied in the Plan**
4 **as it is proposed?**

5 A. The Parties have carefully considered each of the statutory public interest criteria and are
6 comfortable that the attributes of the Plan support a finding that the Plan is in the public interest.
7 The following is a discussion of how the Plan meets each of the four statutory criteria and the
8 two additional plan objectives included by the parties.

9 **Criteria A: The Plan Ensures Just and Reasonable Rates**

10 **Q. Please explain why the Plan ensures that prices for services governed by the Plan will be**
11 **just and reasonable.**

12 A. The Plan ensures that Frontier's retail prices addressed by the Plan will be just and
13 reasonable because of the following primary reasons: 1) Frontier NW's rates were set under its
14 current price plan and reviewed under its Price Plan Performance Report filed with the
15 Commission on January 18, 2017 and the current rates for Citizens were based on rates set under
16 rate of return regulation pursuant to ORS 759.175-759.190, which were then permitted to be
17 adjusted consistent with the terms of Frontier NW's price plan;⁶⁷ 2) the prices for residential
18 primary line basic service and the associated non-recurring charges are subject to price caps; 3)
19 the Price Plan provides a commitment that residential and business primary line basic service
20 will continue to be offered throughout the respective companies' service areas for the term of the

⁶⁶ Price Plan § 2.

⁶⁷ See Order No. 15-383 in Docket No. UM 1749.

1 Price Plan; 4) all regulated services (both business and residential) are restricted from further rate
2 deaveraging which will assure the benefits of competition are realized by all customers; 5)
3 certain services that help effectuate important public policy goals are either capped at pre-plan
4 rates or otherwise price capped, including toll restriction, call-trace, residential unlisted numbers;
5 6) and the Price Plan includes the obligation to continue to offer on a stand-alone basis all
6 regulated services offered as part of a package or bundle. Combined with competitive market
7 forces, the conditions contained in the Price Plan will provide a restraint on upward pricing while
8 assuring availability of services. The performance report will detail all price increases performed
9 during the current Plan term, including the remaining amount of pricing flexibility available for
10 each service. And as a “safety net,” the Commission may open an investigation at any time to
11 determine whether further adjustments or termination of the Plan is necessary to ensure the
12 public interest standard is met for all the criteria in ORS 759.255, including the provision
13 regarding just and reasonable prices.

14 **1. Initial Plan prices are just and reasonable**

15 **Q. How will the initial prices for the Plan be established?**

16 A. The “initial prices” will be the prices charged by Citizens and Frontier NW and are the same
17 as pre-plan rates offered at the time of the Stipulation was filed with the Commission. As
18 discussed above, Citizens’ current rates were established under rate regulation pursuant to ORS
19 759.175-759.190 and were then permitted to be adjusted consistent with the terms of Frontier
20 NW’s price plan.⁶⁸ Frontier NW’s rates were established in accordance with its current price

⁶⁸ See Order No. 15-383 in Docket No. UM 1749.

1 plan and subject to review in the Commission Staff's review of Frontier NW's Price Plan
2 Performance Report and Staff's report to the Commission.

3 **2. Prices for certain key services are capped at pre-Plan prices.**

4 **Q. Please describe the forms of price caps contained in the Plan.**

5 A. The Plan contains the following three types of price caps:

6 1. **Capped at Pre-Plan Rates** – These represent items for which the pricing cannot be
7 increased during the term of the price plan.

8 2. **Subject to Specific Cap** - These are items with rates that are allowed to increase at a
9 level specified in the Plan.

10 3. **“Sum of the Piece Parts” Protection** – This cap is imposed on Frontier's packages
11 and bundles. This effectively caps bundled service and package prices to no more than
12 the sum of the prices of the component services included in packages or bundles.

13 **Q. Please describe how capping rates at the pre-Plan level contributes to assuring rates are**
14 **just and reasonable.**

15 A. As described earlier in this testimony, the prices for Extended Area Service (which provides
16 local calling to communities of interest), toll restriction (an optional feature which restricts the
17 ability to place toll calls on a line), call trace (*59 which may identify originating calling party
18 information for law enforcement investigations), residential unlisted numbers (customer names,
19 numbers and addresses not made available to either directory publishers or directory assistance),
20 E911 services (services provided to public service answering point providers integral to the

1 provision of E911 service), and intrastate switched access (services provided to long distance
2 carriers for the origination and termination of calls) are all capped at pre-Plan rates through the
3 term of the Plan. Additionally, the services included in Frontier's rate schedules as being "cost-
4 based" will remain cost-based without any additional mark-up.

5 The Joint Parties agree that certain customers who subscribe to only a single line service and use
6 no calling features or no or limited long-distance service may have fewer competitive
7 alternatives than customers who use many features and/or make extensive use of long distance
8 service. The Plan addresses these customers' interests by capping EAS, a mandatory component
9 of both flat-rate residential and business primary basic line rates at pre-Plan levels. Toll
10 restriction, call trace, and residential unlisted numbers are capped in recognition of the public
11 safety and privacy issues associated with these services. E911 services Frontier provides to
12 public safety answering points (PSAPs) in making E911 services available to the public are
13 capped at pre-plan rates. Finally, switched access is capped at pre-Plan rates because it
14 represents a wholesale service fundamental to competition in the switched long-distance service
15 market.

16 **Q. How do the price caps for services subject to a specific cap as outlined earlier in your**
17 **testimony help assure rates remain just and reasonable under the Price Plan?**

18 A. As described earlier in this testimony, specific caps are provided for 1) residential primary
19 line basic service (both recurring and certain non-recurring charges), 2) additional directory
20 listings; 3) business unlisted number; 4) non-published number; and 5) Other Services (other
21 residential and business services contained in Frontier's rate schedules that are not expressly
22 addressed in the Price Plan). In addition to the caps on residential primary line basic service,

1 residential measured service (offered only by Frontier NW) is capped at no higher than 70% of
2 the actual flat rate residential primary line basic service rate.

3 As discussed above, the Parties agree that for certain customers who subscribe to only residential
4 single line service and use no calling features or no or limited long-distance service, their
5 interests are addressed by caps on the prices for residential primary line basic services. Frontier
6 may increase this monthly residential price by up to \$3 per Plan year but no more than \$10 in
7 any Plan term. While there is no cap on business primary line business rates per se, there are
8 pricing restrictions that, when combined with market forces, provide protections to business line
9 customers. These restrictions are: 1) the rate charged by Citizens for business primary line basic
10 service may be priced no higher than the rate charged by Frontier NW in Rate Group 2; 2)
11 business rates are subject to restrictions against further rate deaveraging; 3) Frontier may not
12 increase the existing dollar differences between rate groups for business primary line basic
13 service; and 4) regulated services currently sold on the basis of statewide average rates must
14 continue to be offered on a statewide average rate basis.

15 While Frontier may offer promotional waivers of non-recurring charges for installation of and
16 change of service for residential primary line basic service, the Price Plan provides for caps (\$1
17 increase annually, after unification of the two companies' rates) on these charges as discussed in
18 greater detail, above. These caps provide an additional measure of assurance that residential
19 primary line basic service will be available at just and reasonable rates.

20 As detailed earlier in testimony, the Price Plan assures the initial directory listing will be
21 included at no additional charge in the primary line basic service rate. Additional listings are
22 available and capped at increases limited to no more than 25% in any Price Plan year. In

1 addition to residential unlisted rates being capped at pre-Plan rates, the more competitive
2 business service unlisted rates are also capped, with increases limited to not more than 25% in
3 any Price Plan year. The monthly rates for both business and residential non-published numbers
4 are capped at an annual increase of no more than \$1 and no more than \$3 over the four-year term
5 of the Price Plan. Rates for other services (any other residential or business services contained in
6 Frontier's rate schedules) that are not otherwise addressed in the Price Plan are capped at the
7 greater of 25% or \$.50 per year.

8 While the Joint Parties agree that competitive forces generally limit upward pricing of these
9 services, there is not consensus on the extent to which these forces limit price increases and
10 whether the effect is uniform across its service territory. These specific rate caps provide an
11 absolute level of certainty that these services will remain just and reasonable. Additionally, the
12 Joint Parties expect that the Commission's review of Frontier's performance under the terms of
13 the Price Plan will afford the Commission sufficient opportunity to identify whether Frontier's
14 pricing patterns over the course of a Plan term or successive Plan terms warrant investigation
15 into whether the terms of the Plan are resulting in rates that are just and reasonable.

16 **Q. Which services are subject to the "sum of the piece parts" protection?**

17 A. This protection is afforded customers of Packages and Bundles. Again, the Joint Parties agree
18 that customers who are users of calling features, packages, and other services typically have a
19 greater range of alternatives to choose from. In recognition of those options, the Plan provides
20 for a greater degree of pricing flexibility for these services, but still provides the assurance that
21 the price will not exceed the sum of prices of the components. Additionally, customers may
22 purchase any regulated telecommunications service included in a Package or Bundle on a "stand-

1 alone” basis, ensuring that Frontier may not tie the availability of a particularly attractive service
2 or feature to a customer’s subscription to a more expensive package or bundle.

3 **Q. How does the Plan ensure just and reasonable rates for customers, such as those in rural**
4 **areas, who may not have access to effective competitive alternatives?**

5 A. In addition to the protections described above, Frontier has agreed to maintain statewide
6 average prices for all services other than Frontier NW’s business primary line basic service rate,
7 which is currently split into three different rate groups. Frontier commits to no further
8 deaveraging of those business rate groups. The Plan prohibits further deaveraging of its business
9 primary line basic service rates, and Frontier NW may not increase the existing dollar difference
10 between the rate groups. For example, the existing flat business recurring monthly rate in Rate
11 Group 1 is \$23, and in Rate Group 2 it is \$28. If Frontier NW were to exercise its pricing
12 flexibility to increase business line prices in Rate Group 1 by \$1, the comparable prices for Rate
13 Group 2 and 3 would be increased by no more than \$1.

14 Similarly, if Frontier were to decrease the price of a service that currently has a statewide
15 average rate, such as its “Frontier Home Phone” feature package, by \$1.00, that same decrease
16 would apply throughout Frontier’s service territory. Thus, customers in all parts of the state will
17 benefit from the price-constraining effects of competition that may be more robust in one area of
18 the service territory than it is in others. The statewide average rate and prohibition on further
19 deaveraging will help customers in all areas enjoy the full benefits of competition by limiting the
20 level of price increase to the level of any increase the Company may impose on its customers in
21 urban areas that may be subject to greater competition. Similarly, customers in rural areas will
22 enjoy the same benefit of rate reductions made in areas that are more competitive.

1 Finally, if Frontier elects to implement the surcharge described in Section 5 of the Plan, it would
2 have to do so by applying a single uniform charge applied on a nondiscriminatory basis. These
3 protections would prevent Frontier from using the surcharge as a mechanism to increase costs for
4 customers only in rural areas as a way of discriminating against such areas.

5 **Criteria B: The Plan ensures a high quality of existing telecommunications services., and**
6 **makes new services available.**

7 **Q. Does the Plan satisfy the public interest by ensuring that Frontier maintains service at**
8 **high quality standards and makes new services available?**

9 A. Yes. One of the objectives of the Plan is to “ensure high quality of existing
10 telecommunications services and make new services available.” Frontier will meet or exceed the
11 Commission’s applicable retail service standards and will continue its reporting practices as
12 prescribed by the Commission’s service quality rules. These reports provide the Commission
13 with the means to monitor Frontier’s service quality and compare it with certain competitors. If
14 Frontier is found to be out of compliance with individual service quality standards, the
15 Commission’s service quality rules provide for the development of a corrective action plan.
16 Notwithstanding Frontier remaining subject to the Commission’s applicable retail service quality
17 standards, Frontier asserts there have been many market conditions and changes in customer
18 priorities and preferences that should be considered in a separate rulemaking proceeding to
19 determine whether service quality rule changes are appropriate. The Joint Parties agree to not
20 unreasonably oppose the initiation of a service quality rulemaking but there is no presumption as
21 part of this Price Plan that the Joint Parties would support any particular rule modifications
22 proposed by Frontier.

1 **Criteria C: The Plan maintains the appropriate balance between the need for regulation**
2 **and competition**

3 **Q. How does the Plan strike a balance between the need for regulation and competition?**

4 A. The Joint Parties agree that the Oregon telecommunications market continues to change and
5 evolve, and that for many customers there are many alternatives to Frontier's services. These
6 alternatives may be more prevalent in certain market segments than other markets. In such an
7 evolving market, historical pricing controls may no longer be appropriate. Rather, the Parties
8 agree that the variable price controls of this Price Plan provide price cap protections for certain
9 market segments that may not have robust options. At the same time, the Plan affords Frontier
10 greater pricing flexibility in markets where more options are present. The Plan also relieves
11 Frontier of a variety of reporting obligations and permits Citizens to move services for which
12 Commission has granted pricing flexibility to a Price List, which can be updated on shorter
13 notice to the Commission.

14 The Price Plan does not change the Commission's oversight over Frontier's service quality but
15 does not prevent the Commission from changing that oversight in a separate proceeding.

16 **Q. Does the Plan allow for future Commission modifications to ensure the appropriate**
17 **balance between regulation and competition?**

18 A. Yes. As described above, Section 3.d of the Plan contains various provisions that would
19 enable the Commission to investigate and take remedial action if it were to find that Frontier's
20 service quality had fallen below established standards, or that competitive forces and operation
21 of the Plan had not kept Frontier's retail prices at just and reasonable levels. The Commission
22 could initiate such investigations at any time. Through these mechanisms, the Commission

1 would have a clear means to ensure that the Plan is operating in the public interest and modify
2 or, if it were warranted, terminate the Plan if it were to determine that the Plan was no longer
3 operating in the public interest.

4 **Criteria D: Simplifies Regulation**

5 **Q. Does the Plan reduce regulatory burdens on the Commission and on Frontier?**

6 A. Yes. Section 14 of the Price Plan provides for the waiver – in whole or in part – of certain
7 statutes and rules. In many instances, these statutes and rules involve the reporting of information
8 by Frontier that would no longer be useful either to the Commission or to Frontier or rules that
9 represent an unnecessary administrative burden for both parties. Additionally, the provision
10 allowing for automatic renewal of the Plan for successive four-year terms will reduce the
11 periodic burden on the Commission and Frontier to pursue a new plan at the end of each plan
12 term where more minor (or even no) adjustments may be appropriate when that time arrives.

13 **Q. Does the Commission have the authority to waive these specific statutes and rules?**

14 A. Yes, under ORS 759.255(5), the Commission may waive in whole or in part several statutes
15 relating to rate of return regulation. In addition, OAR 860-022-000(2), OAR 860-025-0000(2),
16 OAR 860-026-0000(2), and 860-027-000(2) allows the Commission upon request or its own
17 motion to waive any of the Division 22, 25, 26, or 27 rules for good cause shown.

18 **Q. Does ORS 759.255 permit the waiver of any statutory requirements?**

19 A. Yes, Under ORS 759.255(5), the Commission may, if it approves a plan under ORS
20 759.255(1), waive, in whole or in part, a telecommunications utility's compliance with the
21 following statutes: ORS 759.120 (accounting requirements); ORS 759.125 (accounts and

1 records); ORS 759.130 (accounts, balance sheets and audits); ORS 759.135 (depreciation
2 accounts); ORS 759.180 to ORS 759.205 (hearing on reasonableness of rates, promotions,
3 suspension of rates, notice of schedule changes, price listing, amortizations, and filed rates);
4 ORS 759.215 (public access to schedules); ORS 759.220 (joint rates and classifications); ORS
5 759.285 (charging rates based on cost of property not presently providing service); and ORS
6 759.300 to ORS 759.393 (issuance of securities and use of proceeds, transactions of utilities).

7 **Q. Does the Plan include Commission waiver of any of these statutes?**

8 A. Yes. Both the current Frontier NW plan and the (proposed) Price Plan would waive, either in
9 whole or in part, Frontier's compliance with each of these statutes, with the following
10 exceptions: 1) ORS 759.130, which requires balance sheets to be filed with the Commission and
11 permits the Commission to examine and audit any account; 2) ORS 759.182, which allows
12 Frontier to offer service promotions; 3) ORS 759.205, which requires Frontier to charge for its
13 services according to a published rate schedule; 4) ORS 759.215(1) , which requires Frontier to
14 make its rate schedule available to the public; and 5) ORS 759.375-380, which requires
15 Commission approval over Frontier mergers and acquisitions of other utility properties. The
16 (proposed) Price Plan would also include a waiver of the entire range of ORS 759.385-.393
17 relating to affiliate contracts, which is not waived under Frontier NW's existing plan.

18 As under the current Frontier NW plan, Partial waivers would continue to be granted for ORS
19 759.120, ORS 759.125 and ORS 759.220.

20 **Q. Please provide a brief description of the statutory waivers and explain the rationale for**
21 **their full or partial waiver.**

1 A. The partial waiver of ORS 759.120 and ORS 759.125, (accounting requirements, accounts
2 and records) and the full waiver of ORS 759.135 (depreciation accounts), reduces the
3 Company's regulatory burden associated with submitting the Form O on an annual basis.

4 Second, the Plan would render moot the requirements of certain statutes directly associated with
5 rate of return regulation, since Frontier would not be operating under that form of regulation.

6 These include: ORS 759.180 (hearing on reasonableness of rates), ORS 759.185 (suspension of
7 rates pending hearing), ORS 759.190 (notice of schedule changes), ORS 759.195, ORS
8 759.215(2) (public access to rate schedules 30 days prior to price changes) and ORS 759.220
9 (joint rates and classifications). Additionally, ORS 759.195 (price listing/alternative form of
10 regulation), provides an alternative form of regulation distinct from the Plan, and thus it is not
11 applicable. However, the Joint Parties note that the Plan anticipates use of a price list by
12 Citizens and note that a price list has been used by Frontier NW during the operation of its
13 current plan. As with Frontier NW's current plan, the proposed Plan contains notice
14 requirements for price list changes and, despite the waiver of ORS 759.195, the Joint Parties
15 expect Citizens and Frontier NW to continue to refer to the price list statute to govern
16 management of their price lists.

17 Several statutes waived in the proposed Plan relate to how a company must operate under rate-
18 of-return regulation. For example, ORS 759.200 specifies how amortizations of capital
19 investments must be accounted for in telecommunications rates. Since retail service prices under
20 the Plan are not established under a rate-of-return regulatory regime, this statute would not be
21 relevant to the manner in which rates are set. Other statutes in this same general category
22 include: ORS 759.200 (amortizations), ORS 759.285 (charging rates based on cost of property

1 not presently providing service), and ORS 759.300 through ORS 759.360 (issuance of securities)
2 and, to some extent, ORS 759.385-393 (affiliate contracts).

3 **Q. Please explain why the Commission should waive, in whole or in part, the rules**
4 **identified in Section 14 of the Plan.**

5 A. Consistent with the previous discussion regarding waiver of certain statutes, certain Oregon
6 Administrative Rules are inconsistent (in whole or in part) with the regulation of services under
7 this Price Plan or are necessary to align with provisions of the Price Plan. For example, OAR
8 860-022-0042 is partially waived to permit the pass through as a separate line item the entire
9 amount of the Privilege Tax. To the extent that it might be necessary, OAR 860-022-0047 is
10 partially waived to allow the implementation of a facilities surcharge. Several rules relate to rate
11 of return regulation, including OAR 860-025-0065 and OAR 860-027-0016. The Plan also
12 waives various rules relating to financing, affiliated interests, and accounting.⁶⁹

13 Other waivers represent more targeted determinations by the Joint Parties that waiver is
14 appropriate to reduce regulatory burden in a way that aligns with the design of the proposed
15 Plan. For instance, while the Commission's rules for promotions largely still apply under the
16 terms of the Plan, the Plan waives a portion of OAR 860-026-0025(b) to permit Frontier to run
17 longer promotions and relieves Staff of a relatively rigid timing requirement for review of those
18 procedures. The Plan also waives OAR 860-022-0030 and two subsections of OAR 860-022-
19 0025(2) to reflect that certain information may in some cases not be needed to justify a tariff

⁶⁹ The Plan as filed inadvertently contains a typographical error. The waiver of OAR 860-027-044 should instead read OAR 860-027-0044. See Price Plan, Ex. A., at 8.

1 change that complies with the Plan. Finally, the Plan partially waives the annual reporting
2 requirements of OAR 860-027-0070.

3 **VI. RECOMMENDATION**

4 **Q. What do the Joint Parties recommend regarding the Stipulation?**

5 A. The Parties recommend that the Commission adopt the Stipulation and approve the Petition
6 and the Price Plan as soon as possible, and no later than the expiration of Frontier NW's current
7 price plan on August 17, 2018.

8 **Q. Does this conclude your joint testimony?**

9 A. Yes.

Attachment

Witness Qualification Statements

WITNESS QUALIFICATION STATEMENT

NAME: Jack D. Phillips

EMPLOYER: Frontier Communications

TITLE: Director- Gov't and External Affairs

ADDRESS: 14450 Burnhaven Drive, Burnsville, MN

EDUCATION: B.A., Business Administration, William Penn University
M.B.A., Minnesota State University
M.S., Telecommunications, St. Mary's University of
Minnesota

EXPERIENCE: I have been employed with Frontier Communications and its predecessor companies since 1978. I am currently a Director in the Government and External Affairs organization. My responsibilities include state regulatory matters throughout states in which Frontier is a local exchange carrier. This includes support and testimony in a wide range of regulatory proceedings and public policy matters including rate cases, cost studies, universal service support, inter-carrier compensation, industry deregulation, competitive market issues and alternative forms of regulation.

In Oregon, I've provided testimony in UM 1481 and UM 1677.

Docket No: UM 1895

WITNESS QUALIFICATION STATEMENT

NAME: Stephanie Yamada

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst, Telecommunications and Water Division

ADDRESS: 201 High St SE, Suite 100, Salem, OR, 97301

EDUCATION: Bachelor of Science, Accounting, University of Oregon

EXPERIENCE: I have been employed with the Oregon Public Utility Commission since 2013. I am currently a Senior Utility Analyst in the Telecommunications and Water Division. My responsibilities include leading research and providing technical support on a wide range of technical and policy issues for water and telecommunications companies. I have analyzed and addressed numerous telecommunications issues including special contracts, promotional concessions, tariff changes, price listings, numbering issues, service abandonment, and property sales. In water I have analyzed and addressed water issues including tariff changes, property sales, revenue requirement calculations, cost of service, rate spread, and rate design. Finally, I have served as case manager on several water rate cases, and have provided testimony in UW 163, UW 166, and UW 173.

WITNESS QUALIFICATION STATEMENT

NAME: Samuel Pastrick

EMPLOYER: Oregon Citizens' Utility Board (CUB)

TITLE: Outreach Manager

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: Bachelors of Arts, Environmental Management and Policy
University of Maine

EXPERIENCE: Works on a range of information and communications technology and energy policy issues at the Oregon legislature, Oregon Public Utility Commission (OPUC), and within the City of Portland.

Provided comments or testimony in the following OPUC dockets: AR 601, AR 602, UM 1787, LC 64, UM 1908 (currently in progress).

Lobbied and provided testimony on behalf of CUB during 2017 and 2018 Oregon legislative sessions.

Submitted comments in Federal Communications Commission WC dockets: 17-108, 17-287, 11-42, 09-197.

Worked for Community Energy Project from 2011 – 2014, developing or administering low-income weatherization, building performance, and lead poisoning prevention programs.