

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

In the Matter of the Joint Petition of Frontier Communications Northwest Inc. And Citizens Telecommunications Company of Oregon For Approval of Price Plan Pursuant to ORS §759.255

JOINT PETITION FOR APPROVAL OF PRICE PLAN OF FRONTIER COMMUNICATIONS NORTHWEST INC. AND CITIZENS TELECOMMUNICATIONS COMPANY OF OREGON

On November 27, 2013, Frontier Communications Northwest Frontier (“Frontier”) filed a petition (“2013 Petition”) to be regulated under a price plan pursuant to ORS §759.255. In its August 18, 2014 Order in UM 1677 (“2014 Order”), the Commission adopted a stipulation (“Stipulation”) and approved a price plan (“Original Plan”) for Frontier. The Original Plan was for a period of three years, with Frontier having the option to extend the term by an additional (fourth) year. On August 12, 2016, Frontier notified the Commission of its intent to extend the Original Plan for a fourth year. The Original Plan required a three-year review and, on January 18, 2017, Frontier filed its Price Plan Performance Report (“Performance Report”). If Frontier extended the Original Plan for a fourth year, the Stipulation (p. 10) required Frontier to petition the Commission for a new form of regulation no later than the end of the third year of the Original Plan (August 17, 2017).

Frontier’s affiliate, Citizens Telecommunications Company of Oregon (“Citizens”), also operates as an incumbent local exchange carrier in Oregon but does not currently operate under a price plan pursuant to ORS §759.255.

In this Petition, Frontier and Citizens (collectively “the Frontier Companies”) respectfully submit this joint petition (“Petition”) to the Commission for approval of a new price plan (“New Plan”) in the form attached as Exhibit A to this Petition for each of the respective companies. The New Plan reflects the continuing evolution of the telecommunications market as detailed in the Performance Report and in the Commission Staff’s “Local Telecommunications Competition Survey 2016 Annual Report” (“2016 Staff Report”). The Frontier Companies provide the following information in support of the Petition.

## **I. PETITIONER INFORMATION**

### **A. Name and Address**

Petitioners' names and addresses are:

Frontier Communications Northwest Inc.  
1800 41<sup>st</sup> St  
Everett, WA 98203

Citizens Telecommunications Company of Oregon  
1800 41<sup>st</sup> St.  
Everett, WA 98203

### **B. Communications and Notices**

Communications and notices with respect to this application should be addressed to:

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## **II. REQUEST FOR PRE-HEARING CONFERENCE**

Frontier requests that the Commission hold a pre-hearing conference in this proceeding to establish a procedural schedule for considering Frontier's proposal and issuance of a Commission decision approving the New Plan with sufficient time for implementation on August 18, 2018, the date of expiration of Frontier's Original Plan.

### **III. BACKGROUND**

#### **A. Summary of ORS §759.255**

ORS §759.255 gives the Commission authority to approve a plan under which a telecommunications utility that provides local exchange service may charge prices that are established “without regard to return on investment of the utility.” ORS §759.255(1). This statute was intended to give the Commission flexibility to respond to the continuing evolution of the telecommunications market. The Commission may approve a price plan under ORS §759.255 if it finds that the plan is in the public interest. ORS §759.255(2). In making its determination under section (2), the Commission is to consider whether the plan:

- (a) Ensures prices for telecommunications services that are just and reasonable;
- (b) Ensures high quality of existing telecommunications services and makes new services available;
- (c) Maintains the appropriate balance between the need for regulation and competition; and
- (d) Simplifies regulation.

In approving a plan, the Commission shall establish objectives of the plan and conditions for review of the plan during its operation, which may not consider return on investment. ORS §759.255(3). Prices charged under the plan are subject to a price floor equal to “the total service long run incremental cost, for nonessential functions, of providing the service and the charges of essential functions used in providing the service.” ORS §759.255(4). If the Commission approves a price plan under ORS § 759.255, it may waive, in whole or in part, compliance by the telecommunications utility with: ORS §§759.120 (Form and manner of accounts prescribed by commission); 759.125 (Records and accounts prescribed by commission), 759.130 (Closing date of accounts), 759.135 (Depreciation accounts); 759.180 (Hearing on reasonableness of rates) to 759.205 (Conformance of rates charged with schedule); 759.215 (Public access to schedules); 759.220 (Joint rates and classifications); 759.285 (Charging rates based on cost of property not presently providing service); and 759.300 (“Stocks” defined) to 759.393 (Applicability of ORS 759.385 and 759.390). ORS §759.255(5)

#### **B. OVERVIEW OF THE FRONTIER COMPANIES**

Frontier and Citizens are Incumbent Local Exchange Carriers (ILECs) serving 58 and 10 wire centers, respectively. With the support of 318 Oregon employees, Frontier serves approximately 103,000 access lines in Oregon, down 43% from about 180,000 access lines when Frontier filed the 2013 Petition in November 2013. Citizens serves less than 6,700 access lines in Oregon, down 44% from over 12,000 access lines in 2006. The Frontier Companies provide voice, broadband and video services for both residential and business customers. Since August 2014, Frontier has been regulated under the Original Plan, which replaced traditional rate of return regulation with a framework that provided reduced Commission regulation over intrastate telecommunications services, subject to limits imposed by the Original Plan. The reduction in regulation recognized the increasingly competitive telecommunications market that had evolved since enactment of the '96 Communications Act. Since the 2013 Petition was filed there has been an accelerated transformation of human communication and commercial transactions resulting in a dramatic reduction in reliance and subscription to fixed, land-line voice communications services. Citizens has continued to operate under traditional rate-of-return regulation.

When Frontier filed its 2013 Petition leading to approval of its Original Plan, its annual state universal service support (Oregon Universal Service Support or "OUSF") was \$10.0M. The Commission's March 4, 2016 Order in UM 1481 Phase III set forth scheduled, annual reductions in the level of support Frontier could receive through 2021. The Order prescribed declining caps on Frontier's OUSF support ranging from \$10.0M in 2013 to \$6.6M in 2017 to less than \$5.1M in 2021. This represents a reduction of OUSF support of \$2.75 per access line per month between 2013 and 2017 or an annual reduction of \$33.01 per access line during that period. By 2021, the scheduled reductions will equate to a minimum annualized reduction of \$47 per access line from the 2013 level.

Citizens has operated as a "rural company" for purposes of OUSF support. While Citizens has not experienced the same relative level of reduction in support as Frontier, the Commission's March 4, 2016 Order in UM 1481 reduces rural company support by 15.2% with Citizens receiving a pro rata reduction in its support.

Over the last three years, Frontier has made substantial investments in Oregon, investing over \$123 million on new infrastructure in the state. This represents an additional investment of \$1,126 per access line over the past three years. Frontier has expanded its broadband availability

to over 96.8% of households in its service territory with expansion to additional high-cost households planned under the Connect America Fund II.

**C. PETITION DOES NOT IMPACT OBLIGATIONS UNDER §§ 251 AND 252 OF THE ACT, OR PUBLIC SAFETY AND LOW-INCOME PROGRAMS**

Like the 2013 Petition, this Petition does not request modification of the Frontier Companies' wholesale obligations under sections 251 and 252 of the Telecommunications Act, nor any federal or state regulations, orders or rules relating to Frontier's wholesale obligations. Frontier will continue to maintain its Statement of Rates that reflect the Oregon approved default rates for UNEs on its tariff and service catalog website. Additionally, the Frontier Companies will continue to fulfill obligations with respect to participation in low-income (Lifeline) and hearing impaired programs; and public safety, including E-911 and Eligible Telecommunications Carrier (ETC) status.

**D. COMPETITION IN OREGON'S COMMUNICATIONS MARKET**

In its 2013 Petition, Frontier described the fierce competition it faced throughout its entire service territory. Competitors at that time included (but were not limited to) traditional facilities-based carriers such as Comcast, Charter, Wave, Comspan, Pacific Wave, Priority One, SCS Communications, Integra, Level 3, XO Communications, AT&T, and Verizon Business. In addition, intermodal competitors were (and continue today) providing comparable, substantially comparable or substitutable services throughout Frontier's service territory including wireless carriers: AT&T, Verizon, Sprint, T-Mobile, US Cellular, Cricket Wireless; and VoIP providers: Vonage, Ymax, Basic Talk, Ooma and Google.

In the nearly four years since Frontier filed the 2013 Petition, the level of competition has further intensified in many diverse ways, as detailed in both the 2016 Staff Report and the Performance Report, some of the results of which are summarized below. In this four year period, Frontier has lost over 42% of its access lines. Citizens also experiences a high-level of competition. It has experienced a decrease in basic residential access lines from 10,300 to 4,500 since 2016, representing a 56% loss. Business access lines have declined from over 2,000 to less than 1,450 since 2016, representing a 28% reduction. Citizens has experienced a 51% reduction in combined residential and business basic service lines. The competition is widespread.

Citizens experienced residential access line losses in each of its ten wire centers since 2006. Citizens also experienced basic business access line losses in nine of the ten wire centers. The O'Brien wire center gained a total of only three (3) business lines. The assortment of competitive telecommunications alternatives available to consumers continues to expand and evolve. The 2016 Staff Report, the Performance Report, and FCC reports demonstrate a telecommunications market that is increasingly competitive. But even more important is the rapid transformation in the very mode of human communication and the manner in which commerce is transacted. Digital communications applications are replacing many voice communications. Text messaging, Instant Messaging, video calls, social media platforms, the World Wide Web and countless smartphone/tablet applications are changing the way people communicate, interact with each other and conduct business. The result is the displacement of voice communications and, in particular, a significant reduction in reliance on fixed, wireline voice communication services. In 2003, ILECs like Frontier had 93% of residential voice subscriptions. Now, ILECs have only a 16% share of that market.

Though not all forms of competition rely upon interconnection with Frontier, there are currently 116 interconnection agreements between Frontier and a variety of voice service competitors in Oregon including CLECs, wireless providers, cable companies offering voice communications services and interconnected VoIP providers as detailed in Exhibit A of the Performance Report. The 2016 Staff Report shows that, in 2015, there were 164 registered CLECs in Oregon generating reportable revenue. (p. 1) The FCC's most currently available information show that the number of non-ILEC, wireline local exchange service providers (CLECs) in Oregon increased from 50 to 55 or 10.0% from June 2015 to June 2016 and the number of non-ILEC interconnected VoIP providers increased from 150 to 156 in the twelve months ended June 2016.<sup>1</sup>

The "traditional" CLECs cited in the 2013 Petition continue to compete with Frontier for fixed, wireline voice communications services and grow market share over Frontier and other ILECs. The 2016 Staff Report (p. 37) finds that the landline telephone industry is shrinking. Oregon's combined ILEC and CLEC lines have decreased from 2.1 million lines in 1999 to 1.4

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<sup>1</sup> "Voice Telephone Services Report as of 6/30/16", Supplemental Table 2 - Oregon, Released April 2017, Federal Communications Commission.

million in 2015. Despite the overall decline in combined landlines, the 2016 Staff Report (Table 1) shows a single year (from 2014 to 2015) increase in CLECs' local exchange service revenue of 33.4% while ILEC local exchange service revenues declined 2.1%.

Much, but not all, of the decline in reliance on traditional landline telecommunications service is attributable to growing reliance upon wireless voice communications. In the second half of 2016, over half of U.S. households (50.8%) are estimated to not have a wireline phone. (National Center For Health Statistics, *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July – December 2016*, Released May 2017, p. 1) In 2015 (latest available state-specific results), 50.8% of Oregon households are estimated to be wireless only, with no landline service. For the same period (2015), only 6.6% of Oregon households had land-line only telecommunications service. (National Center for Health Statistics, *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey*, Released August 2016, Table 1)

Continued expansion of high-speed Internet connections into the most rural parts of Oregon has fueled growth in “over-the-top interconnected VoIP” which is a rapidly growing form of voice competition. Over-the-top interconnected VoIP service is a voice communication service that functions like traditional telecommunications service over a high-speed Internet connection the customer obtains from a service provider not affiliated with the interconnected VoIP provider (e.g., “bring your own broadband”). In Oregon, over-the-top interconnected VoIP subscriptions grew from 62,000 to 72,000 or 26.3% from June 2015 to June 2016.<sup>2</sup> During the same period the number of over-the-top interconnected VoIP providers in Oregon increased from 107 to 122<sup>3</sup> or 14.0%. This and other IP-enabled communications (including non-voice) applications are displacing traditional voice communications in very non-traditional ways.

Frontier has also conducted a more detailed review of FCC Form 477 data to determine the availability of consumer voice service from providers with coverage in each of Frontier's wire centers. The December 2016 data shows a range of five to 13 alternative voice providers competing in each of Frontier's exchanges in Oregon. Oregon consumers and businesses have

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<sup>2</sup> “Voice Telephone Services Report as of 6/30/16”, Supplemental Table 1 - Oregon, Released April 2017, Federal Communications Commission.

<sup>3</sup> “Voice Telephone Services Report as of 6/30/16”, Supplemental Table 2 - Oregon, Released April 2017, Federal Communications Commission.

numerous alternatives to meet their local voice calling and broadband needs. All combined, alternative voice service providers (CLECs, wireless and interconnected VoIP) have brought multiple forms of voice communications competition to every community served by Frontier.

#### **E. THE CRITICAL NEED FOR REGULATORY FLEXIBILITY**

Although the Original Plan provided greater regulatory flexibility than the former rate of return regulation under which Frontier operated, it has not kept pace with the rate of competition. Much greater regulatory flexibility is essential to reflect the continuing evolution of the communications market and for Frontier to be competitive as a telecommunications service provider in Oregon. Similarly, Citizens' service areas are highly competitive as demonstrated by its access line losses over the past ten years. The Frontier Companies continue to operate under a more regulated framework than their competitors, with less rate flexibility and greater regulatory-imposed obligations. The Frontier Companies bear the obligation of building and maintaining a network throughout their entire service territory for any customer that requests fixed, land-line service. This is a significant distinction between the Frontier Companies and their competitors and this disparity is unreasonable in light of the state of competition. Maintaining what is essentially an "on-demand" network throughout a designated service area generates largely fixed costs; that is, there are substantial operations and maintenance costs which the Frontier Companies incur whether or not there is a paying subscriber utilizing the network. In sum, Frontier has numerous burdens that our competitors do not, which increases our costs of doing business relative to our non-regulated competitors.

These obligations also include service quality metrics that were established decades ago and reflect a long ended era of a single telecommunications carrier providing service in an area where fixed, landline service was not just the primary form of communication, it was *the only* form of real time communication available to most consumers. It was also an era where the costs of serving high cost areas could be recovered from the general body of ratepayers, but those subsidies no longer exist. Today, the Frontier Companies face the obligation to serve both high and low cost areas with wireline voice services while its competitors may pick and choose service areas and technology (wireless versus landline), which they do with impunity.

When the Oregon Universal Service Fund was established ("OUSF"), Frontier received \$17.5M in annual funding. This was not a "wind-fall" or simply additional revenue. As a condition of receiving OUSF funding, Frontier was required to make offsetting reductions to



business rates which had previously helped subsidize residential service rates. The OUSF historically helped incumbent carriers such as the Frontier Companies maintain affordable rates in rural, high-cost areas. As described above, the Frontier Companies have faced reductions in OUSF support with only limited ability to recapture the losses due to the rate caps specified in the Original Plan. Citizens also has and is scheduled to experience reductions in funding as a rural company. With Frontier experiencing a 42% decline in access lines and a \$3.4 million or 34% decline in OUSF since the 2013 Petition, and Citizens experiencing a 51% loss of basic access lines, combined with reductions in OUSF, the Frontier Companies require greater pricing flexibility, greater flexibility to recover government imposed costs over which they have little control (e.g., taxes) and greater flexibility to avoid costs associated with regulatory imposed obligations (e.g., single carrier era service quality metrics, pole inspection, facility relocation and carrier of last resort obligations). In the Initial Plan Frontier sought (but did not receive) the authority to explicitly bill the full amount of Privilege Tax it bills on behalf of and remits to cities. The Frontier Companies' competitors either do not bill and remit Privilege Tax to the cities or are permitted to fully assess them as a surcharge, putting the Frontier Companies at a direct competitive disadvantage.

Consumer communications preferences have changed and they are certain to continue to evolve as technology does. The additional pricing flexibility outlined in the New Plan is needed to help Frontier move toward unified, simplified pricing of its services to improve efficiencies in our call centers and our promotional offerings. Regulations need to be eased, as outlined in the New Plan, to move the Frontier Companies closer to regulatory parity with their competitors. As outlined in the New Plan, greater flexibility for assessing construction costs is needed to reflect the economic realities of Frontier being the sole provider in its service area bearing carrier of last resort obligations, with an obligation to maintain uniform, statewide rates. Changes are needed in service quality metrics to reflect the reality that only six percent of households in Oregon with a landline do not have a wireless phone. Consumer preferences have changed with respect to priorities for restoral of traditional, landline service. Today, a consumer's highest priority is broadband service restoral. The Frontier Companies (and the industry) need the Commission's support in changing service quality standards and reporting to better reflect the reality of the current market and consumer preferences.

The pricing flexibility and reduced level of regulation outlined in Exhibit A of the New Plan is essential in positioning the Frontier Companies to remain a competitive communications service provider for both our retail and wholesale customers in Oregon. Leveling the playing field improves the Frontier Companies' ability to compete, and provides more options for consumers, which is in the public interest.

#### **IV. THE FRONTIER COMPANIES' NEW PLAN UNDER ORS 759.255**

##### **A. The Frontier Companies' Proposed New Plan**

The Frontier Companies' proposed New Plan is outlined in Attachment A. The proposed New Plan addresses product pricing flexibility and limitations; consumer protections; waiver of rules and statutes; and a process for on-going review of market conditions and modification of the New Plan.

##### **B. The Frontier Companies' Proposal Achieves the Following Objectives:**

1. Ensure the plan will operate in a way that is in the public interest.

The Frontier Companies' New Plan is in the public interest. It strikes a reasonable balance between retaining essential consumer protections and permitting the Frontier Companies to further realize some of the benefits of reduced regulation that are currently enjoyed by its competitors. It will allow the Frontier Companies to price services competitively with services offered by alternative providers, including facilities-based local exchange carriers, wireless carriers, cable voice providers, VoIP providers and providers offering retail services using wholesale services of the Frontier Companies and/or other carriers. The additional pricing flexibility will facilitate the timely introduction of new telecommunications services. The New Plan will provide for billing parity with other providers, greater transparency for subscribers, and facilitate truth in billing. Importantly, the flexibility will help the Frontier Companies move toward standardized pricing which will in itself help create call center, promotional and administrative efficiencies. The New Plan will simplify and reduce the level of burden of regulation for both the Frontier Companies and the Commission, in line with the Legislature's intent to simplify regulation of telecommunications services.

2. Produces prices for the Frontier Companies retail telecommunications services that are just and reasonable and commensurate with the competitive market in Oregon.

As outlined above and detailed in the Performance Report and the 2016 Staff Report, the market in which the Frontier Companies operates is highly competitive. The high level of competition in the Frontier Companies' service areas will ensure rates will be just and reasonable and commensurate with the competitive market in Oregon.

3. Ensure that the quality of existing telecommunications services will stay at or above current levels.

The Frontier Companies New Plan will help better position Frontier to remain competitive as a service provider maintaining or improving service quality levels.

4. Maintain the availability of primary line residential basic service at a statewide affordable rate.

In addition to the market discipline imposed by the competitive market in which the Frontier Companies serve customers, the plan provides an additional level of assurance by imposing a limit on the Frontier Companies' ability to increase primary line residential service rates and a requirement to maintain an average rate within the respective companies' service territories.

## **V. CONCLUSION**

In the 2013 Petition, Frontier demonstrated (and the Commission recognized in the approval of the Initial Plan) that multiple modes of voice communication services had created a highly competitive communications market in Frontier's Oregon service area, giving customers a wide array of competitive options. At the time of the 2013 Petition, Frontier had lost over 225,000 residential access lines, representing a loss of 66% from 2001 to 2012 and had lost over 80,000 or 57% of its business access lines over that same time period. Similarly, Citizens experienced a 56% loss of residential access lines, a 28% reduction in business access lines and a 51% reduction in combined residential and business basic access lines.

Although the Commission provided a significant level of regulatory relief in approving the Initial Plan for Frontier, the level of competition has continued to intensify. Since Frontier filed the Initial Plan, it has lost an *additional* 77,000 access lines or 42.8%. The 2016 Staff Report and the FCC's *Voice Telephone Services Report as of 6/30/16* (released April 2017) both affirm the increases in the number of CLEC and interconnected VoIP service providers offering service in Oregon.

Competition is not limited to large communities in Oregon. In 2013, there were three Frontier exchanges that did not have two or more competitors. Frontier's review of FCC Form 477 data finds that, as of December 2016, there were from five to 13 alternative voice communications providers in each of Frontier's 58 wire centers. Each of Citizens' ten wire centers experienced residential line losses, and only one (O'Brien) of the ten experienced a modest three line increase in basic business access lines. The Frontier Companies have an obligation to serve the rural, high-cost areas of those wire centers whereas their competitors do not. The distinction between the Frontier Companies and their competitors is the unique obligations they respectively bear as incumbent local exchange carriers. Unlike their competitors, the Frontier Companies are obligated to provide unbundled network elements and bear other obligations under federal law and FCC rules to encourage competition in its service area. The Frontier Companies are not asking for relief from these wholesale obligations and have proposed to leave those arrangements intact.

Another critical distinction between the Frontier Companies and their competitors is the carrier of last resort obligation they bear while maintaining uniform local service rates across their respective service areas, without regard to the underlying cost of providing service. The Frontier Companies are at a cost disadvantage in that they must not only maintain their networks for any service requests, but also must do so without regard to whether the request is for a low-cost or high-cost area. Although the OUSF was intended to provide support for bearing this unique ILEC obligation, Frontier's support has declined from \$10 million in 2013 to \$6.6 million in 2017 with further reductions scheduled through 2021, and Citizens' support will decline a minimum of 15.2% under the latest OUSF order. The Frontier Companies do not have the pricing flexibility available to their competitors. Even though the Initial Plan provided Frontier with some retail pricing relief, there are still many limitations on Frontier's retail pricing flexibility that are not shared by its competitors. Citizens currently faces even greater regulatory oversight and restricted pricing flexibility. Reduced regulatory oversight and greater pricing flexibility as outlined in the New Plan is essential to maintaining a competitive telecommunications market in Oregon.

The proposed regulatory framework for the New Plan is outlined in Exhibit A. It provides the benefits the Commission is required to consider under ORS §759.255(2).

1. In this filing, the Frontier Companies have demonstrated that sufficient competition exists within their respective Oregon service territories to ensure that prices for telecommunications services would remain just and reasonable absent price regulation by the Commission. As an additional measure of protection, the New Plan includes an annual price cap on the primary basic residential access line rate.
2. The New Plan offers protections to ensure that high quality telecommunications services remain available. The proposed Price Plan ensures primary residential and business service will remain available on a stand-alone basis at statewide averaged rates and continues the obligation to provide lifeline and tribal lifeline to eligible customers. It reduces the level of regulatory burdens and preserves the Frontier Companies' federal wholesale obligations.
3. The New Plan maintains the appropriate balance between the need for regulation and competition by giving the Frontier Companies further pricing flexibility for primary, residential basic service and greater flexibility for other services.
4. The proposed New Plan simplifies regulation by waiver of unnecessary statutes and rules.

For these reasons, and those recited in the text within, the Frontier Companies request Commission approval of this petition.

Respectfully submitted this 7th day of September, 2017.

By: /S/

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Docket No. UM \_\_\_\_\_

**Frontier Communications Northwest, Inc.  
("Frontier NW")**

**Citizens Telecommunications Company Oregon  
("Citizens")  
Proposed ORS 759.255 Price Plan and OAR Waivers**

**Exhibit A**

1) Definitions:

- a) "Frontier" refers to each of the petitioning companies (Frontier NW and Citizens) individually.
- b) "New service" means a retail telecommunications service that is offered by Frontier in Oregon for the first time following the effective date of this price plan. A service is not a new service if it merely renames, repackages, or is a variation of an existing service, or if it is reintroduced in substantially the same form after having been provided for free, withdrawn or abandoned.
- c) "Primary line basic service" means the first line only of basic local exchange service, without any features, for an individual residential or business customer account at a single location that is not sold as part of a package.
- d) "Packages and Bundles" means any combination of services which may include basic residential or business exchange service as well as other services at a combined price.
- e) "conversion costs" has the same meaning as in OAR 860-022-0046.
- f) "facility relocation costs" has the same meaning as in OAR 860-024-0011.
- g) "privilege tax" has the same meaning as in OAR 860-022-0042.

2) General Objectives:

- a) Frontier's Price Plan ("Price Plan" or "Plan") will achieve the following objectives:
  - i) Ensure a framework for offering telecommunications service that is in the public interest.
  - ii) Ensure high quality of existing telecommunications services.
  - iii) Produce prices for Frontier's retail telecommunications services that are just and reasonable.
  - iv) Maintain the appropriate balance between the need for regulation and the existing competitive market for voice communication services.
  - v) Simplify and reduce the level of regulation consistent with the competitive telecommunications market in Oregon.

3) Term of Plan and Company Report:

- a) The Plan will continue until modified by a change in applicable law, an order of the Oregon Public Utilities Commission, a final order in a Frontier initiated Petition to modify pursuant to ORS 759.255, 759.052 or any other form of regulation or relief permitted under Oregon law.
- b) The company shall submit a plan performance report every four years beginning with the Plan anniversary date in 2022. The report shall address how the objectives of the plan are being met and include the following information, at a minimum:

- i) An analysis of current market conditions for the various categories of Frontier’s regulated retail intrastate telecommunications services to the extent such information is publically available.
  - ii) Data regarding the gain or loss of access lines by wire center.
  - iii) Identification of any ways in which the burden of regulation for both Frontier and the Commission has been simplified or reduced during the four year period and may include recommendations for further simplification or reductions in regulation.
  
- 4) Pricing and Availability of Services under the Price Plan:
  - a) The rates, terms and conditions that Frontier charges under its price lists and approved tariffs are just and reasonable and will be its published terms as of the effective date of the Plan.
    - i) Pricing:
      - (1) Non-recurring charges for residential and business primary line service.
        - (a) Charges will not be subject to price caps.
      - (2) Recurring charges for residential service
        - (a) Frontier will continue to offer residential primary line basic service, at a statewide average rate (for each respective company) and will be subject to an annual Price Cap as described, below.
        - (b) Monthly rates for this service may not increase by more than the greater of 10% or \$3.00 in any twelve month period.
        - (c) Rates for existing mandatory extended area service (EAS) are capped at current rates. Frontier is permitted to combine the respective EAS rates and the rate for primary line residential basic service into a single line item amount for purpose of bill simplification. Frontier will not be required to establish any new or expanded EAS routes.
        - (d) Prices for all other residential services will not be subject to price caps.
        - (e) Residential measured services (offered only by Frontier NW) are restricted to existing customers and will not be required to be offered to any new customers. Frontier may, however, petition the commission to discontinue this service.
          - (i) Monthly rates for the line component of measured service are subject to a price cap benchmark equal to 70% of Frontier’s flat rate primary line service.
      - (3) Recurring charges for all business services
        - (a) Prices for all business services will not be subject to price caps.
  
- 5) Telephone Assistance Plans.
  - a) Frontier will continue to offer Telephone Assistance Plans pursuant to state and federal reimbursement structures and plan requirements.
  
- 6) E911 Services:
  - a) Rates will remain at existing levels upon adoption of the Plan. Frontier may petition the Commission separately for any proposed rate changes or price structures.
  
- 7) Switched Access Rates:

- a) Rates for intrastate switched access services will be capped at current rates and the Commission may adjust the price caps if required by FCC action.
- 8) DS-1, DS-3 and ISDN-PRI Services:
- (a) Rates for DS-1, DS-3 and ISDN-PRI services will not be subject to price caps.
- 9) New Services:
- a) Any new service introduced after the effective date of the Price Plan will not be subject to price caps.
- 10) Packages and Bundles:
- a) Frontier may combine any regulated telecommunications service with any other service(s) to offer packages and bundles of services, which may include primary line residential basic service and EAS, at prices, terms and conditions determined by the company.
- 11) Intrastate Special Access:
- a) Nothing in this Price Plan affects existing intrastate special access services. Frontier may petition the Commission separately for any proposed rate changes to intrastate special access services.
- 12) Non-Controllable Cost Recovery:
- a) When a local government requires Frontier to convert telecommunications facilities at Frontier's expense, Frontier may collect the total actual conversion costs from customers as a separate line item on the customers' bills.
  - b) Frontier may pass through as a separate line item on all customer bills up to 90% of the total amount of all unreimbursed facility relocations costs for any projects required by governmental bodies or agencies.
  - c) Frontier may pass through as a separate line item on all customer bills the total costs of compiling with OAR 860-024-0011. Compliance costs may include, but are not limited to, the use of 3rd party contractors to perform inspections.
- 13) Recovery of Mandatory Taxes and Fees:
- a) Frontier may, with 30 day notice to customers and the Commission, recover the public utility privilege tax as a pro rata charge equal to the rate imposed by the municipality and shown as a separate line item on all applicable customer bills.
  - b) If any county in Oregon, other than a city-county, imposes upon Frontier any taxes or license, franchise, or operating permit fees, or increases any such taxes or fees, Frontier may, with 30 day notice to customers and the Commission, collect from its customers within the county imposing such taxes or fees the amount of the taxes or fees, or the amount of increase in such taxes or fees. If the taxes or fees cover the operations of Frontier in only a portion of a county, then Frontier may recover the amount of the taxes or fees or increase in the amount thereof from customers in the portion of the county which is subject to the taxes or fees. "Taxes," as used in this subsection, has the same meaning as "taxes" in OAR 860-022-045.



- c) Frontier may recover as a separate line item on all customer bills any new or increased state or local tax that may be revenue based, margin based, assessed on commercial activities or privilege taxes that may be imposed during the term of the plan.
- d) Frontier may, with 30 days' notice to customers and the Commission, recover the OPUC fee as a separate line item on customers' bills.

14) Exogenous change adjustments:

- a) Frontier may petition the Commission for adjustments to the price cap for any service provided under the Price Plan to reflect factors outside the Company's control, which will increase the Company's costs or reduce its revenue (e.g., force majeure events, changes in law, rule, or tax level structure as a result of legislative, judicial, or federal and or state administrative agency action). For example, the Company may request recovery of changes in State or Federal Universal Service Support, FCC price floors, etc.

15) Establishment of Citizens Price List

Within 90 days of a Commission order approving the Plan, Citizens will publish a Price List of its services for which the Commission grants pricing flexibility and will file with the Commission amendments to its tariff reflecting those services that remain subject to Commission price regulation.

16) Notice of Tariff and Price List changes:

- a) Frontier will provide the Commission notice of price increases or other changes to terms and conditions for services under price cap by making tariff filings at least 10 days prior to the effective date of such price changes. The Company will provide the Commission notice of price decreases for services under price cap by making tariff filings at least one day prior to the effective date of such price decreases.
- b) Frontier will make price list changes for all other services, including New Services, Other Services, and Packages and Bundles, at least one day prior to the effective date of any price change.

17) Services exempt from regulation:

- a) Services that the Commission has already ordered to be exempt from regulation will remain exempt from regulation subject to the conditions of the applicable order, Frontier retains the ability to petition the Commission to exempt any additional services from regulation under ORS 759.052 or any other applicable rule or law.

18) Promotions:

- a) Frontier may offer promotions for primary line residential basic service, including stand-alone residential primary line basic service, and other regulated and or non-regulated service pursuant to ORS 759-182.

19) Construction Charges:

- a) If the company determines that the placement of facilities to serve locations that may have only limited subscription or locations that would result in a reasonable risk that these costs may not

be recovered through subscription services, the company may assess construction charges to the land developer, individual or party, requesting service or placement of facilities to a location. Construction charges may include recovery of all costs associated with placement of facilities. Payment of construction charges may be required prior to the commencement of work.

- b) Frontier is permitted to file revisions to its tariffs and price lists whereby applicants for service to locations requiring placement of facilities are required to pay all facility costs before service will be extended.

20) Service Quality:

- a) Frontier may file a petition with the commission to open a rulemaking to review and consider revisions to the minimum service quality standards and the applicability to the Frontier Companies.

21) Reporting:

- a) Form O - Frontier will continue to file with the Commission Form O annually as described below.
  - i) Frontier's Form O will include Oregon-specific information.
  - ii) Frontier's Form O will not include regional information.
  - iii) Frontier's Form O will include all Form O schedules except:
    - B-2. Analysis of Depreciation and Amortization;
    - B-3. Analysis of Charges related to Plant Retired;
    - B-4. Long-term Debt;
    - I-4. Operating Taxes other than Federal Income Tax;
    - I-6. Reconciliation of Reported Net Income with Taxable Income for Federal Income Tax;
    - I-7. Reconciliation of Reported Net Income with Taxable Income for Oregon State Excise Tax;
    - I-8. Transactions with Affiliated and Non-Regulated Operations.
- b) Form I
  - i) Frontier will not file the Commission's annual Form I.
  - ii) Frontier will file certain Form I information in the UM 1481 Docket for purposes of allowing OPUC Staff to perform bi-annual calculations for the re-allocation process described in Attachment 2 to the UM 1481 Phase III Revised Stipulation the Commission adopted in Order No. 16-093.
- c) Affiliate Transactions
  - i) Frontier will not file with the Commission a report of affiliated interest contracts executed during the period from January 1 through December 31 of the immediately preceding year.

22) Waiver of statutes, rules and prior commission orders:

- a) Waiver - Pursuant to ORS 759.255(5) Frontier's compliance with the following statutes and the Commission rules implementing these statutes, is waived in full:
  - ORS 759.120 Form and manner of accounts prescribed by Commission;
  - ORS 759.125 Records and accounts prescribed by Commission; prohibition on other records or accounts; exception; blanks for reports;
  - ORS 759.130 Closing date of accounts; filing balance sheet; audit;

- ORS 759.135 Depreciation accounts; un-depreciated investment allowed in rates; conditions;
- ORS 759.180 Hearing on reasonableness of rates; procedures; exceptions;
- ORS 759.182 Rate schedules for service promotions; rules
- ORS 759.185 Suspension of rates pending hearing; time limitation; refund of revenue collected; interim rates;
- ORS 759.190 Notice of Schedule Change;
- ORS 759.195 Price listing of services; conditions; maximum rates; essential services; justification by utility of rates for price-listed services;
- ORS 759.200 Inclusion of amortizations in rates; deferral of certain expenses or revenues; limitation on amounts; prohibited uses;
- ORS 759.215 (2) Public access to schedules;
- ORS 759.220 Joint rates and classifications; procedure; considerations;
- ORS 759.285 Charging rates based on cost of property not presently providing service;
- ORS 759.300 to ORS 759.360 - Issuance of Securities; and
- ORS 759.375 to ORS 759.393 – Transactions of Utilities

b) Rules - Pursuant to waiver authority the Commission has granted itself in each Division of the Commission's rules, Frontier's compliance with the following rules is waived in full, unless a partial waiver is noted:

- OAR 860-021-0126 Late-Payment Charge;
- OAR 860-021-0200 Establishing Credit for Residential Utility Service;
- OAR 860-021-0206 Payment Arrangements for Deposit and Installation Charges for Residential Telecommunications Utility Service;
- OAR 860-021-0210 Interest on Deposits for Residential and Nonresidential Utility Service;
- OAR 860-021-0320 Disconnection of Service on Weekends and Holidays;
- OAR 860-021-0610 Telephone Solicitation Notices by Large Telecommunications Utilities;
- OAR 860-021-0620 Customer Notification and Information Delivery Services for Large Telecommunications Utilities;
- OAR 860-022-0019 General Rate Revisions;
- OAR 860-022-0025 Requirements for Filing Tariffs or Schedules Changing Rates;
- OAR 860-022-0030 Requirements for Filing Tariffs or Schedules Naming Increased Rates;
- OAR 860-022-0035 Special Contracts;
- OAR 860-022-0042 Relating to City Privilege Taxes, Fees, and Other Assessments Imposed Upon a Large Telecommunications Utility;
- OAR 860-022-0045 Relating to Local Government Fees, Taxes, and Other Assessments Imposed Upon an Energy or Large Telecommunications Utility;
- OAR 860-022-0046 Forced Conversion of Electric and Communication Facilities;
- OAR 860-022-0047 Recovery of Certain Facility Relocation Costs;
- OAR 860-023-0005 Maintenance of Plant and Equipment by Energy Utilities, Large Telecommunications Utilities, and Intrastate Toll Service Providers in wire centers not fully supported by Oregon Universal Service Fund support;
- OAR 860-023-0055 Retail Telecommunications Service Standards for Large Telecommunications Utilities other than residential primary line basic service in wire centers that continue to receive full state universal service fund support;

- OAR 860-025-0055 Exemption from Carrier of Last Resort (COLR) Obligations;
  - OAR 860-025-0060 Reinstatement of Carrier of Last Resort (COLR) Obligations;
  - OAR 860-025-0065 Allocation of Carrier of Last Resort (COLR) Reinstatement Costs;
  - OAR 860-026-0000 through 860-026-0045 Sales Promotion;
  - OAR 860-027-0016 Accounting for Director's Fees;
  - OAR 860-027-0030 through OAR 860-027-0052;
  - OAR 860-027-0070 Annual Report Requirements for Electric, Large Telecommunications, Gas, and Steam Heat Utilities except as outlined in price plan;
  - OAR 860-027-0100 Reporting of Affiliated Transactions; and
  - OAR 860-032-0020 Abandonment of Service except with regard to primary line basic residential service and any service which allows access to the emergency 9-1-1 reporting system.
- 
- Orders - The Commission waives its prior orders as follows:
    - Partial waiver of Condition # 12 in Commission Order 10-067 (appendix A) in Docket UM 1431 imposing as a condition of approval of the merger a requirement that Frontier submit Form O and Form I. Frontier will file Form O and Form I as outlined in this price plan.

CERTIFICATE OF SERVICE  
UM \_\_\_\_\_

I certify that I have, this day, caused to be served the foregoing document upon all parties of record in proceeding UM1677 by electronic mail, pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 7th day of September, at Everett, WA.



George Baker Thomson, Jr.  
Associate General Counsel and Assistant Secretary  
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Citizens Telecommunications Company of Oregon  
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