

ORDER NO. 18 303

ENTERED AUG 17 2018

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1895

In the Matter of

FRONTIER COMMUNICATIONS
NORTHWEST, INC., and CITIZENS
TELECOMMUNICATIONS COMPANY OF
OREGON,

Joint Petition for Approval of Price Plan
Pursuant to ORS 759.255.

ORDER

DISPOSITION: PETITION FOR APPROVAL OF PRICE PLAN APPROVED

I. SUMMARY

In this order, we adopt the stipulation among Frontier Communications Northwest Inc. (Frontier NW) and Citizen's Telecommunications Company of Oregon (Citizens) (collectively Frontier); Commission Staff; and the Oregon Citizens' Utility Board (CUB) to resolve all issues related to the price plan, attached as Attachment A to the stipulation, for Frontier.

II. PROCEDURAL BACKGROUND

On September 7, 2017, Frontier filed a petition to be regulated under a price plan pursuant to ORS 759.255. CUB filed a notice of intervention.

Following workshops and settlement conferences, the parties filed a stipulation resolving all issues in the proceeding on May 9, 2018. The following day, the parties filed an amended stipulation, which is attached as Appendix A.¹ On June 4, 2018, the stipulating parties filed joint testimony in support of the stipulation.²

¹ The original stipulation contained a typographical error in the header only.

² The stipulation (the original and the amended versions) and the joint testimony in support of the stipulation are admitted into the record of this docket.

III. PRICE PLAN AND STIPULATION

A. Background

Frontier NW is an incumbent local exchange carrier (ILEC) and serves 58 wire centers in exchanges located throughout Oregon, including the Southern Oregon coast, Union and Wallowa counties, and areas surrounding the Portland metropolitan areas. Citizens, which is an affiliate of Frontier, serves 10 wire centers in Douglas and Josephine Counties.

ORS 759.255 authorizes the Commission to approve the petition of a telecommunications utility that provides local exchange service directly or as an affiliate for the regulation of the prices charged by the utility without regard to the return on investment of the utility. The statute is intended to provide flexibility to respond to the competitive evolution of the telecommunications market.

In docket UM 1677, Order No. 14-290, we approved an initial price plan for Frontier NW. That price plan had a term of three years, with an option for Frontier NW to extend it for an additional (fourth) year by filing a petition no later than August 17, 2016. On August 12, 2016, Frontier notified the Commission of its intent to extend the initial price plan for a fourth year. In Order No. 17-312, we approved Frontier NW's request for an extension until September 7, 2017, to file a petition for a 2017 price plan.

Citizens currently operates under a cost of service rate regulation and, unlike Frontier NW, does not have a price plan under ORS 759.255.

In this proceeding, Frontier petitioned to be regulated under a new price plan for both Frontier NW and Citizens to ensure consistent rates, regulation, and flexibility across the combined service territories. Listing numerous competitors, Frontier argues that a price plan with reduced regulation and greater pricing flexibility is needed in order to achieve parity of regulation so that Frontier remains a competitive service provider. Frontier states that it currently serves approximately 103,000 access lines in Oregon, down 43 percent from the approximately 180,000 lines served in 2013 when the company last filed for a price plan. Similarly, Citizens now serves less than 6,700 access lines in Oregon, down 44 percent from over 12,000 access lines in 2006. Frontier observes that as an incumbent local exchange carrier (ILEC), the company has obligations that its competitors do not have. Frontier asserts that it is in the public interest to support Frontier's competitiveness with the proposed price plan.

While no other stipulating party takes a position regarding the validity of the Frontier's claims about the company's competitiveness in Oregon, the joint parties agree that our approval of the price plan is in the public interest and meets the standard for review required under ORS 759.255(2). The joint parties unanimously recommend that we approve the stipulation and the price plan.

B. The Price Plan

1. Overview

The joint parties assert that the price plan, set forth in Attachment A to the stipulation, provides Frontier with the greater pricing flexibility and reduced regulation that Frontier seeks, while providing Frontier customers with substantive protections. They observe that the new pricing plan provides Frontier NW with more flexibility than the current plan, and applies a consistent approach for Citizens. Moreover, the joint parties represent that the price plan allows the unification of certain prices, terms and conditions between the Frontier companies and will improve billing system, call center and collateral efficiencies. We summarize the key provisions of the price plan below.

2. Residential Primary Line Basic Service

Primary line basic service is a voice telecommunications service with inward and outward dialing capabilities, but no call features such as call-forward and caller-ID. In addition to local calling, this service provides access to E911 dispatch centers and access to carriers for long distance calling plans. For residential service, the price plan limits primary line basic service to the first line of residential single party flat rate local exchange service or residential single party measured local exchange service.

a. Availability

Under the price plan, Frontier will continue to offer residential basic service on a stand-alone basis.

b. Pricing

Frontier NW's current monthly flat-rated residential basic line rate is \$15.59, while it is \$15.67 for Citizens. At the initiation of the price plan, Frontier may unify the two rates at \$15.67 to facilitate call center, billing, and marketing efficiencies. Frontier may increase

primary line basic residential service rates no more than \$3.00 in any one year of the plan, and no more than \$10 over any four-year term of the plan.

In addition to flat-rated residential primary line basic service, Frontier NW offers a measured service with a lower month rate and measured usage charges billed on exchange and EAS calls, or only EAS calls, depending on the customers' selection. Measured usage rates are charged on a per-minute basis and are currently discounted on certain days or at certain times of day. Frontier NW's measured service is currently priced at 70 percent of the flat-rated service rate plus usage charges. The price plan commits Frontier NW to price the fixed monthly portion of the measured service rate at no greater than 70 percent of the flat-rated service rate, and to not increase the per-minute usage rate by more than the greater of 25 percent or \$0.50 per plan year.

Frontier NW also commits to continuing to offer this service option throughout its service area for the term of the price plan, unless we approve a petition by Frontier to grandfather or discontinue this service. Due to the intersection of certain conditions of the price plan, Frontier NW may not file such a petition until the end of the third year of the first term of the price plan.

Non-recurring charges for residential primary line basic service are charges to establish or change service with Frontier. While Frontier may run promotions to waive non-recurring charges, Frontier NW and Citizens currently each have three non-recurring charges that may apply, depending on the type of installation or service change request, with sometimes differing rates, as summarized the table below:

| Charge | Current Frontier NW Rate | Current Citizens Rate |
|---------------------------|--------------------------|-----------------------|
| Initial Service Order | \$15.00 | \$5.00 |
| Central Office Connection | \$10.00 | \$12.00 |
| Line Work | \$5.00 | \$5.00 |
| Total | \$30.00 | \$22.00 |

During the first year of the price plan, Frontier may change Citizen's three rate elements to match those of Frontier NW, thereby standardizing terms across the two companies to reduce customer confusion and facilitate billing, call center and collateral efficiencies. Beginning in the second year of the price plan, Frontier may increase, on an annual basis, the total sum of the three rates by up to \$1.00.

3. *Business Primary Line Basic Service*

Business primary line basic service is defined to be a voice telecommunications service with inward and outward dialing capabilities, but without any call features such as call-forward and caller-ID. In addition to local calling, this service provides access to E911 dispatch centers and access to carriers for long distance calling plans. For business service, the price plan limits primary line basic service to the first line of business single party flat rate local exchange service or business single party measured local exchange service, both including Frontier NW's Rate Groups 1, 2, and 3.

a. Availability

Frontier commits to making business primary line basic service available on a stand-alone basis throughout the service areas of Frontier NW and Citizens for the plan's entire term, thereby assuring that business customers will be able to purchase a basic business line without being required to purchase additional features, packages, or bundles.

b. Pricing

Under the plan, Frontier's recurring rates for business services will not be subject to price caps. Citizen's recurring rates for business services may not be priced higher than Frontier NW Rate Group 2, however.

To assure that all Frontier business customers benefit from competition, the price plan prohibits further rate deaveraging and prevents Frontier NW from increasing the dollar differences for prices between the rate groups for business primary line basic service. To protect business customers in less competitive areas, and to limit pricing disparities between the two Frontier companies, the price plan prohibits the rate for Citizen's business primary line basic service from being higher than the rate for Frontier NW Rate Group 2.

4. *Other Rate Averaging*

Under the new price plan, Frontier commits that regulated services that are currently deaveraged will not be further deaveraged. For regulated services sold on the basis of a statewide average as of the plan's effective date, Frontier will maintain statewide average rates.

5. *Extended Area Service (EAS)*

Frontier NW and Citizens currently provide EAS service, allowing a customer to call nearby wire centers without paying toll rates with a long distance carrier. Rates for existing mandatory EAS are capped at pre-plan rates. Under the new price plan, Frontier may combine the respective EAS rates and the rate for residential primary line basic service into a single line item amount for the purpose of bill simplification. Frontier will not be required to establish any new or expanded EAS routes as long as it operates under the price plan.

6. *Directory Listings*

Under the new price plan, the first listing is included with the primary line basic service, whether that service is purchased stand-alone, packaged or bundled. Additional listings are price capped, with increases limited to not more than 25 percent each plan year.

7. *Toll Restriction/Call Trace/Unlisted or Non-Published Number Services:*

Toll restriction and call trace services will continue to be priced at pre-plan rates. The residential unlisted number service will also be priced at pre-plan rates, although Citizens may set its rate for this service at the rate charged by Frontier NW. The non-published number and business unlisted number services may not be increased by more than \$1.00 in any plan year and may not increase by more than \$3.00 total over a four-year plan term.

8. *Call Features*

“Calling Services,” as identified in Section 6 of the Frontier NW Statewide Price List (dated May 9, 2018) and ‘Custom Calling Service’ and “Customized Local Area Signaling Service (CLASS),” as listed in Section IV of the Citizen’s Tariff (P.U.C. OR No. 3) (dated May 9, 2018) are not subject to price caps under the new plan. Price increases for all other services are capped at the greater of 25 percent or \$0.50 per plan year.

9. *Cost-Based Charges*

Prices that are identified as being priced at actual cost in Frontier’s rate schedules as of May 9, 2018 will continue to be priced at actual cost.

10. DS-1, DS-3 and ISDN-PRI Services

Rates for DS-1, DS-3 and ISDN-PRI services will not be subject to price caps.

11. E911 Services

Rates, terms, and conditions for E911 services in Frontier's rate schedules as of the effective date of this plan will remain at pre-plan status, except Frontier may petition the Commission separately for any proposed rate changes or price structures.

12. Switched Access Rates

Rates for intrastate switched access services will be capped at pre-plan rates and the Commission may adjust the price caps if required by action taken by the Federal Communications Commission.

13. New Services:

Any new service introduced after the effective date of the new price plan will not be subject to price caps.

14. Packages and Bundles

Under the new price plan, Frontier may combine any regulated telecommunications service with any other service(s) to offer, Packages and Bundles of services, which may include residential Primary Line Basic Service and EAS, at any price, subject to the below conditions: (i) All regulated telecommunications services offered as part of a package or bundle shall remain separately available for purchase from Frontier's rate schedules; (ii) The package or bundle price shall not exceed the sum of the stand-alone retail prices of all available services in the package or bundle.

15. Facility Improvement Surcharge

Under the new price plan, Frontier may implement a surcharge to recover costs related to facilities, including but not limited to costs to relocate facilities. The joint parties indicate these costs vary greatly each year and are largely beyond the control of Frontier. Frontier already charges a similar surcharge in several other states. Several protections would be put in place: (1) the initial surcharge and any changes would count towards the price plan's annual and term price caps for primary line basic residential service rates; (2) the

surcharge must be a single uniform rate applied statewide on a non-discriminatory basis; (3) before implementing the surcharge, Frontier would need to file a tariff with the terms and conditions; (4) customer notice would need to be provided 30 days prior to implementation of a surcharge; and (5) Frontier would be required to engage in good faith discussions with Commission Staff and CUB to reach agreement on how the surcharge will be labeled on customer bills to assure it accurately describes the costs to be recovered.

16. *Recovery of Mandatory Taxes and Fees*

The price plan allows Frontier, with 30 days' notice, to recover the entire amount of any public utility privilege tax imposed by a municipality. The current plan permitted Frontier NW to display the privilege tax as a separate line item on customer bills, but doing so reduced Frontier's price cap flexibility. The new price plan allows Frontier NW and Citizens to display and recover the full privilege tax as a separate line item, but does not result in a corresponding change to the price cap. The price plan also permits Frontier NW and Citizens, with 30 days' notice, to recover the Commission regulatory fee as a separate line item on customers' bills, again without a corresponding change to the price cap. The joint parties represent that the ability to itemize mandatory taxes and fees on customer bills will put Frontier on a more level basis with competitors and will improve bill transparency.

17. *Exogenous Change Adjustments*

Under the price plan, Frontier is permitted to petition for price plan adjustments to reflect material changes in circumstances outside of Frontier's control—*e.g.*, changes in law, rules or taxes resulting from legislative, judicial or administrative action. Frontier carries the burden of proof, however, and there is no presumption that any of the other joint parties will support a petition.

18. *Service Quality*

Under the price plan, Frontier will continue to be subject to our service quality rules, but has the option to file a petition to open a rulemaking to revise any or all service quality rules. While the joint parties agree to not unreasonably oppose the initiation of a service quality rulemaking, there is no individual or collective commitment to support any particular modifications to the rules that Frontier might propose.

19. *Carrier of Last Resort*

Frontier will continue to be a carrier of last resort under ORS 759.506 in allocated service territories.

20. *Line Extensions*

Current rate schedules allow Frontier to charge for line extension based on distance. The price plan allows revisions to Frontier's rate schedules for line extension charges. Frontier may revise rate schedules to charge customers for the extension of network facilities to render service for costs exceeding \$2,000. Frontier may waive line extension charges, but is subject to the statutory prohibition on unjust discrimination.

21. *Term*

The price plan will become effective upon our approval with an initial term of four years. The plan will automatically renew for successive four-year terms, unless suspended or modified by a change in law, or by the Commission.

22. *Review of the Plan*

At the end of the third year of each four-year term of the price plan, Frontier will file a performance report for our review. This report will separately detail the performance and progress of Frontier NW and Citizens, and address how each company is meeting plan objectives. The report will include specific information related to: market conditions; the gain or loss of access lines; new services introduced; efficiencies achieved; and price changes.

The joint parties note that the Commission also has the option to consider adjustment or termination of the price plan at any time pursuant to ORS 756.515. Frontier would have notice of such an investigation and an opportunity for a hearing.

23. *Termination and Adjustment*

Should we terminate the price plan, Frontier would be allowed to decrease, but not increase rates until either we approve a new form of price regulation for Frontier, or Frontier obtains other relief then permitted under Oregon law. Before seeking termination of the price plan, the joint parties agree to first identify adjustments to the plan that may address concerns. The joint parties agree not to advocate for rates that are

lower than those in effect one year prior to the initiation of any proceeding to terminate the plan.

24. *Waivers and Reporting Changes*

As authorized by ORS 759.255(5), the price plan waives, in whole or in part, certain statutes, rules, and prior orders, as identified in Section 14 of the price plan. In many cases, the waivers involve requirements that Frontier report information that is no longer useful to either Frontier or the Commission. The price plan also specifies certain changes to Frontier's annual reporting requirements.

IV. DISCUSSION

As the joint parties note, to approve a price plan, the Commission must find it to be in the public interest. In determining whether a plan is in the public interest, ORS 759.255(2) requires that we must consider, among other matters, 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.

The joint parties agree that the plan satisfies the public interest standard, and provide testimony addressing the four statutory criteria.

A. Statutory Criteria

1. *The Plan Ensures Just and Reasonable Rates*

Frontier's retail prices addressed by the plan will be just and reasonable, the joint parties assert, for several primary reasons. First, the joint parties explain that Frontier NW's rates were set under its current price plan, and we recently reviewed these rates in the Price Plan Performance Report filed on January 18, 2017, while Citizen's rates are based on rates set under rate of return regulation, which were then permitted to be adjusted consistent with the terms of Frontier NW's Price Plan. Second, the joint parties emphasize that the prices for residential primary line basic service and associated non-recurring charges are subject to price caps, and that Frontier commits to provide

residential and business primary line basic service throughout the respective companies' service areas for the term of the price plan. Third, the joint parties note that all regulated services (both business and residential) are restricted from further rate deaveraging, assuring that the benefits of competition are realized by all customers, and that certain services that promote public policy goals are either capped at pre-plan rates or otherwise price capped, including toll restriction, call-trace, and residential unlisted numbers. Finally, the Joint parties state that the price plan obligates Frontier to continue offering on a stand-alone basis all regulated services that are offered as part of a package or bundle.

Combined with increasingly stronger competitive market forces, the joint parties assert that the price plan's conditions will assure the availability of services while restraining upward pricing. The price plan provides appropriate reporting, including detail about all price increases and the remaining amount of pricing flexibility available for each service. Under the price plan, we may open an investigation at any time to determine whether further adjustments or termination of the plan are necessary to ensure the public interest standard is met for all the criteria in ORS 759.255, including the provision regarding just and reasonable prices.

2. *The Plan Ensures High Quality Services and Makes New Services Available*

The joint parties assert that, under the plan, Frontier will meet or exceed applicable retail service standards and will continue appropriate reporting to allow the Commission to monitor Frontier's service quality and compare it with competitors' service. Frontier also has the opportunity to petition the Commission to consider whether market conditions and changes in customer priorities and preferences bring about a need to revise certain service quality standards.

3. *The Plan Maintains the Appropriate Balance between Regulation and Competition*

The joint parties agree that the Oregon telecommunications market is evolving and that customers have greater options, making the variable price controls with price cap protections provided in the price plan—particularly for market segments with fewer options—more appropriate than historical price controls. The joint parties also observe that the plan permits Citizens to move services with pricing flexibility to a price list that may be updated on shorter notice. The plan allows for modification by the Commission, the joint parties observe, should they be needed.

4. *Simplifies Regulation*

The joint parties indicate that the plan provides for the full or partial waiver of certain statutes and rules that we have the authority to waive, thereby simplifying regulation under the plan. In many cases, statutes and rules are waived that involve the collection and reporting of information by Frontier that is no longer useful to either Frontier or the Commission. The joint parties also represent that the plan reduces annual reporting requirements. Moreover, the plan provides for automatic renewal for successive four-year terms of the price plan, thereby reducing the periodic burden on Frontier and the Commission to address a new price plan when adjustments are either minor or unnecessary. The joint parties state that the Commission is authorized under ORS 759.255(5) to waive in whole or in part several statutes relating to rate of return regulation. In addition, they indicate that we may waive any rule in Divisions 22, 25, 26, or 27 for good cause.

B. Other Considerations

In addition to the four required criteria considerations, the joint parties also agree that the price plan should meet two additional objectives: (1) to ensure a regulatory framework for offering telecommunications services that is in the public interest; and (2) to specifically maintain the availability of Primary Line Basic Service at affordable rates throughout Frontier's service territory.

C. Resolution

For the reasons cited by the joint parties, we agree that the price plan meets the statutory requirements set forth in ORS 759.255(2) and is in the public interest. The plan ensures prices are just and reasonable by requiring Frontier to initially charge rates we have previously approved while incorporating existing and new price caps to ensure that any future rate increases are fair and just. The plan also ensures that Frontier will provide high quality service as Frontier is subject to our retail service standards and reporting requirement, including service performance guarantees. At the same time, the plan simplifies regulation, facilitates Frontier's ability to respond to evolving market competition with pricing flexibility and the introduction of new telecommunications services, while installing price caps as protections in market segments with less competitive options. We also maintain the ability to adjust or terminate the plan at any time to protect the public interest.

As we conclude, the stipulation and proposed price plan for Frontier meets the criteria set forth in ORS 759.255(2) and is in the public interest. We adopt the stipulation and approve the price plan.

V. ORDER

IT IS ORDERED that:

The stipulation among Frontier Communications Northwest Inc. and Citizen's Telecommunications Company of Oregon ; Commission Staff; and the Oregon Citizens' Utility Board to resolve all issues related to the price plan, attached as Appendix A, is adopted.

Made, entered, and effective AUG 17 2018.


Megan W. Decker
Chair


Stephen M. Bloom
Commissioner




Letha Tawney
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1895

In the Matter of the Joint Petition of
Frontier Communications Northwest Inc.
and Citizen's Telecommunications
Company of Oregon for Approval
of Price Plan Pursuant to ORS 759.255

STIPULATION

This Stipulation is entered into for the purpose of resolving all issues in this proceeding by and among the parties as set forth below.

PARTIES

1. The parties to this Stipulation (the "Stipulation") are Frontier Communications Northwest Inc. and Citizen's Telecommunications Company of Oregon (together "Frontier"), Staff of the Public Utilities Commission of Oregon ("Staff"), and Oregon Citizens' Utility Board ("CUB"). The parties may be referred to hereafter collectively as the "Joint Parties," "Parties," or individually as a "Party". This Stipulation has been made available to all parties to this docket, who have confirmed their participation in and consent to the stipulation by signing a copy.

2. The Parties agree that approval of the price plan attached hereto as Exhibit A (the "Price Plan") and this Stipulation is in the public interest, and respectfully ask that the Public Utility Commission of Oregon (the "Commission") issue an order granting Frontier's petition for a price plan, and approving this Stipulation and the Price Plan.

BACKGROUND

3. On August 7, 2017, Frontier filed a petition to be regulated under a price plan pursuant to ORS 759.255. Subsequent to that petition, CUB filed an unopposed petition to intervene, and that petition was granted.

4. Representatives of Frontier, Commission Staff, and CUB attended a prehearing conference on November 1, 2017, during which ALJ Kirkpatrick issued a prehearing conference memorandum outlining certain dates the parties agreed to for interventions, workshops and settlement conferences, and status reports back to the Judge.

5. In accordance with the procedural schedule, the Joint Parties held workshops/settlement conferences periodically beginning in November 2017, through the present date. These workshops were open to, and participated in, by all parties to the docket.

6. Parties agreed to the price plan terms after a final workshop and settlement conference was held on April 25, 2018.

7. The Joint Parties agreed to submit this Stipulation and the attached Price Plan by May 9, 2018, and supporting testimony or a status update by May 25, 2018.

AGREEMENT

8. The Joint Parties have negotiated this Stipulation and the Price Plan, attached as Exhibit A, in good faith and recommend that the Commission adopt the Stipulation and the Price Plan in their entirety.

9. Exhibit A sets forth the terms and conditions of the Price Plan the Joint Parties agree the Commission should approve. By executing this Stipulation, Frontier agrees to abide by and perform all terms of this Stipulation and the Price Plan. The Price Plan contains agreements of the Joint Parties that are additional to those set forth in this Stipulation (the term "Joint

Parties” in the Price Plan has the same meaning as in this Stipulation). By executing this Stipulation, the Joint Parties agree to abide by and perform all agreements set forth in this Stipulation as well as those set forth in the Price Plan as if they were set forth in this Stipulation.

10. Frontier acknowledges and agrees that no rate, tax, term or condition in any interconnection agreement (ICA) will change as a result of Frontier’s Petition and any approved Stipulation in this docket. Frontier further acknowledges that Commission approval of its Petition and subsequent Stipulation in this docket shall not in any way impact its continuing obligations under existing ICAs and shall not in any way impact its continuing obligations under Sections 251 and 252 of the Telecommunications Act of 1996, 47 U.S.C. 251-252, nor any federal or state regulations, orders or rules promulgated under such statutes, nor any federal rules or orders promulgated under any section of the Federal Communications Act of 1934 (the “Communications Act”), as amended.

11. The Joint Parties agree that the Price Plan will be effective immediately following the Commission’s approval of the Petition, this Stipulation, and the Price Plan.

12. The Joint Parties acknowledge that the terms of this Stipulation and Price Plan satisfy the public interest standard set forth in ORS 759.255 for approval of this Price Plan.

13. The Joint Parties understand that this Stipulation is not binding on the Commission in deciding Frontier’s Petition. The Joint Parties agree to support Commission approval of the Petition, this Stipulation, and the Price Plan. This Stipulation and forthcoming supporting testimony will be offered into the record of this proceeding as evidence pursuant to OAR 860-001-0350(7). The Joint Parties agree to support this Stipulation throughout this proceeding and any subsequent appeal, and provide either witnesses to sponsor testimony or legal representatives to support this Stipulation. The Joint Parties will recommend the

Commission issue an order adopting the agreements contained herein and approving Frontier's Petition, this Stipulation, and the Price Plan. If any other party to this proceeding challenges this Stipulation, the Joint Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which may include addressing issues incorporated in the settlements embodied in this Stipulation.

14. The Joint Parties will encourage the Commission to enter an order approving Frontier's Petition, this Stipulation, and the Price Plan as soon as possible and not later than August 17, 2018, the date on which the price plan approved in Docket No. UM 1677 expires.

15. The Joint Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation or the Price Plan, or imposes additional material conditions in approving the Stipulation and the Price Plan, any Party disadvantaged by such action shall have the right, upon written notice to the Commission and all other Parties within 15 business days of the Commission's order, to withdraw from this Stipulation and to present additional evidence and argument on the record, and/or seek reconsideration or appeal of the Commission's order. However, prior to withdrawal, the Party shall engage in good faith negotiation with the other Joint Parties. No Party withdrawing from this Stipulation shall be bound to any position, commitment, or condition of this Stipulation.

16. The Joint Parties agree that this Stipulation represents compromises in the positions of the individual Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. By entering into this Stipulation, no Party will be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation, other than as specifically identified in this Stipulation. No Party

shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as expressly identified in this Stipulation.

17. The effective date of this Stipulation as to each Party will be the date of that Party's signature to the Stipulation.

18. This Stipulation may be executed in counterparts and each signed counterpart will constitute an original document.

This Stipulation is entered into by each Party as of the date(s) entered below:

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



By Elizabeth B. Uzelac, OSB # 170507

Assistant Attorney General
Of Attorneys for PUC Staff

Dated: 5/9/2018

FRONTIER COMMUNICATIONS OF THE NORTHWEST INC.,
and CITIZEN'S TELECOMMUNICATIONS COMPANY OF OREGON

George Baker Thomson, Jr.
Associate General Counsel and Assistant Secretary
Dated: _____

OREGON CITIZENS' UTILITY BOARD

Michael P. Goetz
Staff Attorney
Oregon Citizens' Utility Board
Dated: _____

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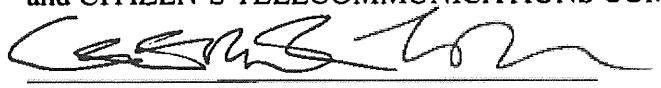
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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By Elizabeth B. Uzelac, OSB # 170507
Assistant Attorney General
Of Attorneys for PUC Staff
Dated: _____

FRONTIER COMMUNICATIONS OF THE NORTHWEST INC.,
and CITIZEN'S TELECOMMUNICATIONS COMPANY OF OREGON



George Baker Thomson, Jr.
Associate General Counsel and Assistant Secretary
Dated: 5/7/18

OREGON CITIZENS' UTILITY BOARD

Michael P. Goetz
Staff Attorney
Oregon Citizens' Utility Board
Dated: _____

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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By Elizabeth B. Uzelac, OSB # 170507
Assistant Attorney General
Of Attorneys for PUC Staff
Dated: _____

FRONTIER COMMUNICATIONS OF THE NORTHWEST INC.,
and CITIZEN'S TELECOMMUNICATIONS COMPANY OF OREGON

George Baker Thomson, Jr.
Associate General Counsel and Assistant Secretary
Dated: _____

OREGON CITIZENS' UTILITY BOARD



Michael P. Goetz
Staff Attorney

ORDER NO. **18 303**

Oregon Citizens' Utility Board
Dated: 5/9/18

ORDER NO. 18 303

Exhibit A

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**Frontier Communications Northwest, Inc.
("Frontier NW")
Citizens Telecommunications Company Oregon
("Citizens")
Joint Price Plan Pursuant to ORS 759.255**

Docket No. UM 1895

Exhibit A

1. Definitions:

- a) "Frontier" refers to both of the petitioning companies (Frontier NW and Citizens).
- 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 grandfathered, withdrawn, or abandoned.
- c) "Other Services" means any other residential or business services contained in Frontier's Rate Schedules that are not expressly listed in this Price Plan and does not include Packages and Bundles.
- d) "Packages and Bundles" means any combination of services, which may include residential or business basic local exchange service as well as other services at a combined price.
- e) "Pre-Plan" means the rates, terms, and conditions in Frontier's approved Rate Schedules immediately prior to the effective date of the Plan.
- f) "Price List" and "Price Lists" mean Frontier's Oregon intrastate retail price lists as of May 9, 2018, the Citizens price list that will be established pursuant to Section 8 of this Price Plan, and any subsequent revisions to these Price Lists.
- g) "Primary Line Basic Service" means the first line only of basic local exchange service for an individual residential or business customer account at a single location that is not sold as part of a package. For the purposes of this definition, "basic local exchange service" means residential single party flat rate local exchange service; residential single party measured local exchange service, including local exchange usage; business single party flat rate local exchange service, including Frontier NW's Rate Groups 1, 2, and 3; and business single party measured local exchange service, including local exchange usage in Frontier NW's Rate Groups 1, 2, and 3.
- h) "Privilege Tax" has the same meaning as in OAR 860-022-0042(2)(c).
- i) "Rate Schedules" means Frontier's Tariffs and Price Lists.
- j) "Tariff" and "Tariffs" mean Frontier's Oregon intrastate retail tariffs as of May 9, 2018, and any subsequent revisions to these Tariffs. As of May 9, 2018, these consist of Frontier NW's PUC OR No. 18 Tariff and Citizens' PUC OR No. 3 Tariff.

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 and make new services available.
 - iii) Produce prices for Frontier's retail telecommunications services that are just and reasonable.

- iv) Maintain the availability of Primary Line Basic Service at affordable rates throughout Frontier's service territory.
- v) Maintain the appropriate balance between the need for regulation and existing competition in Oregon for voice communication services.
- vi) Simplify and reduce the burden of regulation for Frontier and the Commission.

3. Term of Plan and Company Report:

- a) Term: The Plan will become effective upon Commission approval with an initial term of four years. The Plan will automatically renew for successive four-year terms, unless suspended or modified by a change in applicable law or an order of the Oregon Public Utilities Commission.
- b) Petitions to Modify or for Other Forms of Regulation: Frontier may file a petition, pursuant to ORS 759.255, proposing modifications to the Plan not sooner than the third anniversary of each four-year Plan term. Frontier may, at any time during the Plan, file a petition pursuant to ORS 759.052 or for any other form of regulation or relief permitted under Oregon law.
- c) Performance Report: Frontier shall submit a report detailing its performance and progress toward meeting the Plan objectives by the end of year three of each four-year Plan term. The report shall separately address the performance and progress of Frontier NW and Citizens and shall address how Frontier NW and Citizens are meeting the objectives of the Plan, including the following information, at a minimum:
 - i) An analysis of current Oregon market conditions for the various categories of Frontier's regulated retail intrastate telecommunications services to the extent such information is publicly available.
 - ii) Data regarding the gain or loss of access lines by wire center.
 - iii) Identification of any new services Frontier has introduced.
 - iv) Identification of any ways in which the burden of regulation for both Frontier and the Commission has been simplified or reduced during the current Plan period.
 - v) A list of all price increases performed during the current Plan term, including the remaining amount of pricing flexibility available for each service.
- d) Commission Review:
 - i) The Commission shall review Frontier's performance under the Plan every four years on the basis of the Performance Report described in Section 3(c), any other relevant evidence regarding the competitiveness of the market for substitutable services and any other relevant factors.
 - ii) The Commission may open an investigation at any time pursuant to ORS 756.515 to determine whether further adjustments to the Plan or termination of the Plan is required by the public interest, according to the factors set forth in ORS 759.255(2). The Commission may order further adjustments to the Plan or termination of the Plan only after providing Frontier with notice and the opportunity for a hearing. In any such investigation and proceeding, the Joint Parties agree that the Commission should first attempt to identify and require adjustments to the Plan such that the continuation of the Plan is in the public interest before it orders termination of the Plan.
 - iii) If the Commission orders termination of the Plan, Frontier would no longer be able to increase its rates as it was permitted to do under the Price Plan, but Frontier would be allowed to decrease its rates subject to any applicable price floor.

- iv) If the Commission orders termination of the Price Plan, Frontier may thereafter pursue any form of price regulation or relief therefrom then permitted under Oregon law, including but not limited to: exemptions from regulation pursuant to ORS 759.052; price listing pursuant to ORS 759.054, 759.056, and/or 759.195; rate regulation pursuant to ORS 759.175-759.190; another price plan pursuant to ORS 759.255; price cap regulation pursuant to ORS 759.405-759.410, or any other statute.
- v) If the Commission orders early termination of the Price Plan, the Parties agree that the Commission may also, in the same proceeding, adjust Frontier's rates to ensure that Frontier's rates are just and reasonable, and the Parties agree not to advocate for rates that are lower than those that were in effect one year prior to the initiation of the proceeding to terminate the Plan. Frontier would no longer be able to increase its rates as it was permitted to do under the Price Plan, but Frontier would be allowed to decrease its rates subject to any applicable price floor.

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.
- b) Availability: Frontier will continue to offer residential and business Primary Line Basic Service on a stand-alone basis.
- c) Non-recurring charges for residential Primary Line Basic Service:
 - i) During the first year of the initial four-year Plan term after the Commission adopts the Price Plan, Frontier may adjust Citizens' residential rates for the Initial Service Order Charge, the Central Office Connection Charge, and the Access Line Work Charge to be equal to the existing equivalent charges of Frontier NW.
 - ii) The total sum of the charges for the Initial Service Order Charge, the Central Office Connection Charge, and the Access Line Work Charge is subject to an annual price cap of \$1.00 beginning in the second year of the initial four-year Plan term after the Commission adopts the Price Plan.
- d) Non-recurring charges for business Primary Line Basic Service: Charges will not be subject to price caps.
- e) Recurring charges for residential Primary Line Basic Service: Primary Line Basic Service for residential customers will be subject to price caps.
 - i) Monthly rates for flat rate residential Primary Line Basic Service may not increase by more than \$3.00 in any Plan year and may not increase by more than \$10.00 total over any four-year Plan term.
 - ii) Residential measured service (offered only by Frontier NW): Monthly rates for the line component of measured service shall not be priced any higher than 70% of Frontier's flat rate residential Primary Line Basic Service.
 - iii) On the Plan's effective date, the residential flat rate Primary Line Basic Service rates (excluding EAS) for both the Frontier NW and Citizens companies may be set at the existing Citizens rate of \$15.67.
- f) Recurring charges for business Primary Line Basic Service:
 - i) Prices for business Primary Line Basic Service will not be subject to price caps.

- ii) The rate that is charged for this service by Citizens shall be priced no higher than the rate charged by Frontier NW in Rate Group 2.
- g) Extended Area Service (EAS): Rates for existing mandatory EAS are capped at Pre-Plan rates. Frontier is permitted to combine the respective EAS rates and the rate for residential Primary Line Basic Service into a single line item amount for the purpose of bill simplification. Frontier will not be required to establish any new or expanded EAS routes as long as it operates under the Price Plan.
- h) Directory Listings:
 - i) Frontier will provide the first listing included with the Primary Line Basic Service, including those within packages and bundles.
 - ii) Additional listings beyond the initial listing are price capped with increases limited to not more than 25% per Plan year.
- i) Toll Restriction/Call Trace/Unlisted Numbers:
 - i) Toll Restriction and Call Trace will continue to be priced at Pre-Plan rates.
 - ii) Residential Unlisted Numbers will continue to be priced at Pre-Plan rates. However, Citizens may set the rate for this service at a rate equal to that charged by Frontier – NW.
 - iii) Business Unlisted Numbers may not increase by more than \$1.00 in any Plan year and may not increase by more than \$3.00 total over a four-year Plan term.
 - iv) Non-published Numbers may not increase by more than \$1.00 in any Plan year and may not increase by more than \$3.00 total over a four-year Plan term.
- j) Features: "Calling Services" as listed in Section 6 of the Frontier-Northwest Statewide Price List as of May 9, 2018; "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 are not subject to price caps.
- k) Other Services: Capped at the greater of 25% or \$.50 per Plan year.
- l) Cost-Based Charges: Prices that are identified as at actual cost in Frontier's Rate Schedules as of May 9, 2018 will continue to be priced at actual cost.
- m) DS-1, DS-3 and ISDN-PRI Services: Rates for DS-1, DS-3 and ISDN-PRI services will not be subject to price caps.
- n) E911 Services: Rates, terms, and conditions for E911 services in Frontier's rate schedules as of the effective date of this plan will remain at Pre-Plan status, except that Frontier may petition the Commission separately for any proposed rate changes or price structures.
- o) Switched Access Rates: Rates for intrastate switched access services will be capped at Pre-Plan rates and the Commission may adjust the price caps if required by FCC action.
- p) New Services: Any New Service introduced after the effective date of the Plan will not be subject to price caps.
- q) Packages and Bundles: Frontier may combine any regulated telecommunications service with any other service(s) to offer Packages and Bundles of services, which may include residential Primary Line Basic Service and EAS, at any price, subject to the below conditions:
 - i) All regulated telecommunications services offered as part of a package or bundle shall remain separately available for purchase from Frontier's Rate Schedules.
 - ii) The package or bundle price shall not exceed the sum of the stand-alone retail prices of all available services in the package or bundle.
- r) Rate Averaging:

- i) Frontier will not further de-average the pricing of any existing regulated services that are currently de-averaged.
- ii) Frontier will not increase the existing dollar differences between rate groups for business Primary Line Basic Service rates. However, Frontier is permitted to reduce any differences in price between these rate groups.
- iii) For regulated services that as of the effective date of this plan are sold on the basis of a statewide average rate, Frontier will maintain statewide average rates for these regulated services in each Rate Schedule.

5. Facility Improvement Surcharge:

- a) Frontier may implement a single surcharge to recover facilities-related costs. If implemented, the surcharge must be applied using a single uniform rate statewide and shall be applied on a nondiscriminatory basis. If Frontier elects to implement such a surcharge, the residential Primary Line Basic Service price cap for the Plan year in which the surcharge is introduced shall be reduced by the amount of the surcharge. If Frontier subsequently increases the surcharge, the residential Primary Line Basic Service price cap for the Plan year in which the surcharge is increased shall be reduced by the amount of that increase. At any given time, the sum of the increase to the residential Primary Line Basic Service rate and the surcharge shall not exceed either the annual or Term caps described in Section 4.e.i of this Plan.
- b) If Frontier elects to implement the surcharge discussed in Section 5(a), Frontier will first file a tariff change with the Commission that states the amount of the surcharge and all applicable terms and conditions.
- c) Frontier will provide notice to customers 30 days before implementing the surcharge described in Section 5(a) or making any changes to that surcharge or related terms and conditions.
- d) If Frontier wishes to label the surcharge discussed in Section 5(a) as anything other than "Facility Fee," "Facility Surcharge," "Facility Improvement Fee," or "Facility Improvement Surcharge," Frontier will first engage in good faith discussions with Commission Staff and CUB to reach agreement on how the surcharge will be labeled.

6. Recovery of Mandatory Taxes and Fees:

- a) Frontier may, with 30 days' 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) Frontier may, with 30 days' notice to customers and the Commission, recover the OPUC fee as a separate line item on customers' bills.

7. Exogenous change adjustments: Frontier may petition the Commission for adjustments to the Price Plan to reflect changed circumstances outside Frontier's control that will have an overall material impact on the Company (e.g., changes in law, rule, or tax structure as a result of legislative, judicial, or administrative agency action). For example, the Company may request consideration of the introduction of new or increased taxes or fees assessed on the basis of revenue or margin that will have an overall material impact on the Company, or changes in Universal Service Support, FCC imposed price floors, or other changes if those items are beyond its control and have an overall material impact on the Company. Frontier will have the burden of showing that adjustments will

result in rates that are just and reasonable; the Commission may also consider whether Price Plan adjustments are in the public interest, considering the factors set forth in ORS 759.255(2). There is no presumption as part of this Price Plan that the Joint Parties would support such a petition.

8. Establishment of Citizens Price List: Citizens may make a filing moving the services for which the Commission has granted pricing flexibility to a Price List. Citizens shall file with the Commission amendments to its Tariff reflecting those services that remain subject to Commission price regulation, including all services for which the Plan imposes a price cap. Citizens shall make such filings with the Commission at least 30 days prior to the effective date of the filings.
9. Notice of Changes to Rate Schedules:
 - a) Commission Notice Requirements
 - i) Tariff Changes: Frontier will file all Tariff changes with the Commission at least 30 days prior to the effective date of the change, except that price decreases may be filed with one-day notice.
 - ii) Price List Changes: Frontier will file notice of all Price List changes with the Commission at least one day prior to the effective date of the change.
 - b) Customer Notice Requirements:
 - i) Monthly Recurring Charges: For price increases and changes to the terms or conditions of service, Frontier will provide 30-day notice to customers subscribing to the service, including business customers under contract or with term commitments.
 - ii) Pay-Per-Use Charges: For price increases and changes to the terms or conditions of service, Frontier will provide 30-day notice to customers who have used the service within the past 12 months.
 - iii) Form of Notice:
 - (1) Retail customer notices may be made by bill message including notice to customers receiving electronic bills.
 - (2) Wholesale customer notices may be made by email.
 - c) Services exempt from regulation: Services that the Commission has already ordered to be exempt from regulation will remain exempt from regulation subject to the conditions of the order that exempted the services from regulation. 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, except for a petition to modify the Plan under ORS 759.255, as discussed in Section 3.b of this Plan.
10. Promotions: Frontier may offer promotions for residential Primary Line Basic Service and other regulated services pursuant to ORS 759.182 and 759.267.
11. Line Extension Charges: Frontier may revise its Rate Schedules to include line extension charges for extensions of network facilities to render service, subject to the following requirements:
 - a) Frontier may only impose line extension charges for an extension to plant to furnish service where the actual costs exceed \$2,000, and may only impose line extension charges for the portion of the actual costs that exceeds \$2,000.
 - b) Frontier may waive line extension charges for customers.

12. Service Quality: Frontier NW and Citizens shall continue to be subject to the Commission's service quality rules. Frontier has indicated that it may in the future elect to file a petition with the Commission to open a rulemaking to revise the Commission's service quality rules. The Joint Parties would not unreasonably oppose the initiation of such a rulemaking, but there is no presumption as part of this Price Plan that the Joint Parties would support any particular proposed rule modifications put forth in such a petition.

13. Reporting:

- a) Form O – The following schedules are no longer required as part of Frontier's Form O filing:
 - i) B-3. Analysis of Charges related to Plant Retired;
 - ii) B-4. Long-term Debt;
 - iii) I-4. Operating Taxes other than Federal Income Tax;
 - iv) I-6. Reconciliation of Reported Net Income with Taxable Income for Federal Income Tax;
 - v) I-7. Reconciliation of Reported Net Income with Taxable Income for Oregon State Excise Tax;
 - vi) I-8. Transactions with Affiliated and Non-Regulated Operations.
- b) Form I
 - i) Citizens will continue to file the Form I annually for as long as Citizens continues to be eligible for current or future state Universal Service support.
 - ii) Frontier NW will no longer be required to file the Form I, beginning with the 2017 reporting cycle.
- 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.

14. 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, unless a partial waiver is noted as long as Frontier operates under the Price Plan:
 - i) ORS 759.120 Form and manner of accounts prescribed by Commission; Partial to the extent allowed in prior Commission Orders.
 - ii) ORS 759.125 Records and accounts prescribed by Commission; prohibition on other records or accounts; exception; blanks for reports; Partial to the extent allowed in prior Commission Orders.
 - iii) ORS 759.135 Depreciation accounts; un-depreciated investment allowed in rates; conditions
 - iv) ORS 759.180 Hearing on reasonableness of rates; procedures; exceptions
 - v) ORS 759.185 Suspension of rates pending hearing; time limitation; refund of revenue collected; interim rates
 - vi) ORS 759.190 Notice of Schedule Change
 - vii) ORS 759.195 Price listing of services; conditions; maximum rates; essential services; justification by utility of rates for price-listed services
 - viii) ORS 759.200 Inclusion of amortizations in rates; deferral of certain expenses or revenues; limitation on amounts; prohibited uses

- ix) ORS 759.215 (2) Public access to schedules
- x) ORS 759.220 Joint rates and classifications; procedure; considerations – Partial waiver with regard to joint rates and establishment of new through services, but not with regard to canceling any existing through service.
- xi) ORS 759.285 Charging rates based on cost of property not presently providing service;
- xii) ORS 759.300 to ORS 759.360 - Issuance of Securities.
- xiii) ORS 759.385 to 759.393 Affiliate contracts

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, as long as Frontier operates under the Price Plan:

- i) OAR 860-022-0025(2)(b) and (c) Requirements for Filing Tariffs or Schedules Changing Rates
- ii) OAR 860-022-0030 Requirements for Filing Tariffs or Schedules Naming Increased Rates
- iii) OAR 860-022-0042 Relating to City Privilege Taxes, Fees, and Other Assessments Imposed Upon a Large Telecommunications Utility – Partial waiver of rule to allow Frontier to pass through to its customers the entire amount of City Privilege Taxes, Fees and Other Assessments as a separately itemized charge on its customer's bills.
- iv) OAR 860-022-0047 Recovery of Certain Facility Relocation Costs; Partial waiver to implement section 5, to the extent necessary.
- v) OAR 860-025-0065 Allocation of Carrier of Last Resort (COLR) Reinstatement Costs;
- vi) OAR 860-026-0025(b). Partial waiver to enable Frontier to run promotions for up to 9 months in any 12-month period.
- vii) OAR 860-027-0016 Accounting for Director's Fees
- viii) OAR 860-027-0030 through OAR 860-027-044
- ix) OAR 860-027-0050 through OAR 860-027-0052
- x) OAR 860-027-0070 Annual Report Requirements for Electric, Large Telecommunications, Gas, and Steam Heat Utilities – except as required in Price Plan
- xi) OAR 860-027-0100 Reporting of Affiliated Transactions