


PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 14, 2019

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE February 24, 2019

DATE: February 5, 2019

TO: Public Utility Commission

FROM: Scott Shearer *SS*

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck *JE BC +BL* 

SUBJECT: FRONTIER COMMUNICATIONS NORTHWEST INC. AND CITIZENS TELECOMMUNICATIONS COMPANY OF OREGON:  
(Docket Nos. ADV 907/Advice No. OR-19-01, ADV 908/Advice No. 1066, ADV 909/Advice No. OR-19-02 and ADV 910/Advice No. 1067) Increases the Residence Access Line Rate and implements a Facility Improvement Surcharge.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve these Frontier Communications Northwest Inc. (Frontier NW) and Citizens Telecommunications Company of Oregon (Citizens) (collectively, Frontier or the Companies) filings, which increase the Residence Access Line rates and implement Facility Fees, to go into effect on February 24, 2019.

**DISCUSSION:**

Issue

Whether the Commission should approve the Companies' proposed tariff filings, which increase the Residence Access Line rates and implement new Facility Fees.

Applicable Law and Rules

Telecommunications utilities are required by ORS 759.175 to submit tariff filings to the Commission whenever they intend to change their rates, terms, or conditions of service. The Companies operate under a price plan (the Frontier Price Plan or Plan) pursuant to ORS 759.255, under which the Commission regulates prices without regard to the return on investment of the utilities. The Frontier Price Plan was approved in Docket UM 1895 with Order No. 18-303, and became effective on August 17, 2018.

Among its numerous provisions, the Frontier Price Plan contains price rules (most often in the form of price caps) and availability requirements for various services, including Primary Line Basic Service (PLBS). Section 1(g) of the Plan defines PLBS as the first line only of basic local exchange service for an individual residential or business customer that is not sold as part of a package. Under Section 4(e)(i) of the Plan, the Companies may increase monthly flat rates for residential PLBS services by a maximum of \$3.00 per plan year, with a maximum increase of \$10.00 over the four-year term of the Plan. Section 4(e)(i) of the plan also limits the line component of the residential measured service rate to 70 percent of the flat residential PLBS rate. Additionally, on the Plan's effective date, the residential flat rate PLBS rates (excluding EAS) for both Frontier NW and Citizens were permitted to be set at the then-existing Citizens rate of \$15.67.

Other Services, which under Section 1(c) of the Frontier Price Plan is defined to mean any other residential or business services contained in Frontier's Rate Schedules that are not expressly listed in the Plan, excluding packages and bundles, are subject to another price cap. Section 4(k) of the Plan permits the Companies to increase rates for Other Services by the greater of 25 percent or \$.50 per plan year.

In addition to provisions setting forth service-specific price caps, Section 5 of the Frontier Price Plan allows the Companies to implement a surcharge to recover facilities-related costs so long as it meets certain requirements. Such a surcharge must be applied using a single uniform rate statewide and be applied on a non-discriminatory basis. If the Companies implement such a surcharge, the cap for residential PLBS for that Plan year, described above, is reduced by the amount of the surcharge. At any given time, the sum of the increase to the residential PLBS rate and the surcharge shall not exceed either the annual or term caps contained in Section 4(e)(i) of the Plan.

Section (9) of the Plan requires tariff changes to be filed with the Commission at least 30 days prior to the effective date of the change and requires the Companies to provide customers subscribing to affected service 30 days' notice of any increases.

### Analysis

In the four tariff filings addressed in this memorandum, the Companies seek to increase rates for various categories of residential access line service, which all include forms of basic local service. The Companies also seek to implement a Facility Fee surcharge as allowed under Section 5 of the Plan. Each filing was made more than 30 days prior to its effective date. The Companies stated in each advice letter that customers are being notified of the changes proposed 30 days in advance and provided copies of the bill

messaging notifying customers of each item. I discuss each filing separately below, as well as their overall impact.

*Docket No. ADV 907/Advice No. OR-19-01*

Citizens' filing increases the rates for its two forms of flat-rate local exchange service. Citizens' filing increases the Residence Basic Access Line rates as follows:

|                        | Current Monthly Rate | Increase Amount | New Rate | Percentage Increase |
|------------------------|----------------------|-----------------|----------|---------------------|
| Residence – Multi-Line | \$15.67              | \$1.08          | \$16.75  | 6.45%               |
| Residence – One-Party  | \$15.67              | \$1.08          | \$16.75  | 6.45%               |

When purchased as the first line of basic local exchange service, Residence – One Party is PLBS, for which the increase is capped at \$3.00 per Plan year, minus any new or increased charge for a Facility Fee. Taken alone, the above increase is below this annual cap. As the first increase under the new Frontier Price Plan, it also satisfies the \$10.00 per-term cap. Below, I discuss whether the increase satisfies the overall PLBS price cap when the new surcharge is applied.

Residence – Multi-Line is an "Other Service," for which price increases are capped at the greater of 25 percent or \$.50 per plan year. The above increase satisfies that cap.

*Docket No. ADV 908/Advice No. 1066*

Frontier NW's filing increases the rates for its combination flat-rate local exchange and flat-rate EAS local service (Premium); its combination flat-rate local exchange and measured EAS local service (Community); and its combination measured local and measured EAS local service (Basic). Frontier's filing proposes to increase the Residence Access Line rates for these services as follows:

|                           | Current Monthly Rate | Increase Amount | New Monthly Rate | Percentage Increase |
|---------------------------|----------------------|-----------------|------------------|---------------------|
| Community Calling Service | \$15.59              | \$0.76          | \$16.35          | 4.65%               |
| Premium Calling Service   | \$15.59              | \$1.16          | \$16.75          | 6.93%               |
| Basic Calling Service     | \$10.82              | \$0.88          | \$11.70          | 7.52%               |

Two of these services involve flat-rate residential PLBS services: Premium Calling Service and Community Calling Service. Increases are therefore capped at \$3.00 per plan year, minus any new or increased charge for a Facility Fee. Taken alone, the increases for Premium Calling Service and Community Calling Service are below this

annual cap, prior to consideration of the additional constraint that may result from implementation of a Facility Improvement Surcharge. As the first increases under the new Frontier Price Plan, they also satisfy the \$10.00 per-term cap. Below, I discuss whether they satisfy the overall PLBS price cap when the new surcharge is applied.

One of these services involves measured residential PLBS service: Basic Calling Service. Measured PLBS is capped at 70 percent of the PLBS flat rate under the Plan. 70 percent cap of the new rate for the flat-rate Premium Calling Service (\$16.75 X 70 percent) results in a maximum rate of \$11.73 for the Basic Calling Service, \$.03 more than the proposed amount of \$11.70. The increase therefore satisfies the 70 percent floating cap for measured local service. The Premium Calling Service rate is being used to calculate the maximum rate for Basic Calling Service because it is considered Frontier's standard PLBS as it comes with flat-rate, rather than measured, EAS.

*Docket No ADV 909/Advice No. OR-19-02*

In this filing, Citizens proposes implementation of a new monthly Facility Fee of \$1.25 per account, as allowed under the Plan. As described earlier, at any given time, the sum of the increase to the residential PLBS rate and the surcharge shall not exceed either the annual or term caps contained in Section 4(e)(i). Because Citizens is only increasing its Residence Access Line rate by \$1.08, the Company could implement a Facility Fee of up to \$1.92 (\$3.00 - \$1.08) and still be within the price caps contained in the Plan. Staff concludes that the combination of Citizens' proposed Facility Fee of \$1.25 and the PLBS rate increase is within the cap specified in the Plan.

Citizens proposes to apply the Facility Fee to each end user who obtains local exchange service under the Company's Local Exchange Tariff and/or Price List. Citizens' Facility Fee will be applied using a single uniform rate statewide and shall be applied on a non-discriminatory basis, consistent with the Plan.

*Docket No. ADV 910/Advice No. 1067*

In this filing, Frontier NW also proposes implementation of a Facility Fee of \$1.25 per account. As described earlier, at any given time, the sum of the increase to the residential PLBS rate and the surcharge shall not exceed either the annual or term caps contained in Section 4(e)(i). Because Frontier NW is only increasing its Premium Calling Service rate by \$1.16, the Company could implement a Facility Fee of up to \$1.84 (\$3.00 - \$1.16) and still be within the price caps contained in the plan. As a result, the combination of Frontier NW's proposed Facility Fee of \$1.25 and the PLBS rate increase is within the cap specified in the Plan.

Frontier NW proposes to apply the Facility Fee to each end user who obtains local exchange service under the Company's Local Exchange Tariff and/or Price List. Frontier NW's Facility Fee will be applied using a single uniform rate statewide and shall be applied on a non-discriminatory basis, consistent with the Plan.

*Summary of Impact of Overall Tariff Changes*

Even though the PLBS rate increases and the implementation of the Facility Fee are separate filings, they affect the total cost to the customer. The table below shows the impact of these changes for subscribers to each local service addressed in ADV 907 and 908, assuming no other services, fees, or usage for simplicity's sake. Staff calculated the figures using the current tariffed rate, plus the amount of the proposed local service rate increase, plus the amount of the new Facility Fee to determine the full amount customers will definitely be charged. Staff then divided by the current rate to come up with the percentage increase for each service. The table shows the final increase to the customer after these particular changes are implemented.

|                                | Current Rate | Final Rate Including Surcharge | Total Increase | Total Percentage Increase |
|--------------------------------|--------------|--------------------------------|----------------|---------------------------|
| Citizens' Residence Multi-Line | \$15.67      | \$18.00                        | \$2.33         | 12.94%                    |
| Citizens' Residence One-Party  | \$15.67      | \$18.00                        | \$2.33         | 12.94%                    |
| Frontier NW Community Calling  | \$15.59      | \$17.60                        | \$2.01         | 11.42%                    |
| Frontier NW Premium Calling    | \$15.59      | \$18.00                        | \$2.41         | 13.39%                    |
| Frontier NW Basic Calling      | \$10.82      | \$12.95                        | \$2.13         | 16.45%                    |

Conclusion

For the reasons discussed above, Staff concludes that these filings comply with the Frontier Price Plan as established in Order No. 18-303 (Docket No. UM 1895).

**PROPOSED COMMISSION MOTION:**

Allow the tariff sheets filed by Frontier and Citizens to become effective for service rendered on and after February 24, 2019.