



Oregon

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March 15, 2006

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: **Docket No. UM 1175 et al** - In the Matter of Costs and Proposed Rates in Phase II of Extended Area Service Investigations in Dockets UM 1175 and UM 1207. Comments Regarding Stipulations Between Staff and the Telecommunications Utilities Involved.

Enclosed for filing in the above-captioned docket is the Public Utility Commission Staff's Direct Testimony. This document is being filed by electronic mail with the PUC Filing Center.

/s/ Kay Barnes

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cc: UM 1175 et al Service List - parties

**PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1175 et al

STAFF DIRECT TESTIMONY OF

David L. Sloan

**In the Matter of
Costs and Proposed Rates in Phase II of
Extended Area Service Investigations in Dockets
UM 1175 and UM 1207.
Comments Regarding Stipulations Between Staff
and the Telecommunications Utilities Involved**

March 15, 2006

CASE: UM 1175 et al
WITNESS: David L. Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 1

Direct Testimony

March 15, 2006

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is David L. Sloan. I am employed by the Public Utility
4 Commission of Oregon (PUC or Commission) as a senior
5 telecommunications analyst in the Telecommunications Division of the
6 Utility Program. My business address is 550 Capitol Street NE, Suite 215,
7 Salem, Oregon 97301-2148.

8 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK**
9 **EXPERIENCE.**

10 A. My Witness Qualification Statement is found in Exhibit Staff/2.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. I present comments concerning stipulations between Commission staff
13 (staff) and the telecommunications utilities in the current round of Phase II
14 investigations into extended area service (EAS). Staff employee Cynthia
15 Van Landuyt and I jointly reviewed the company filings and prepared the
16 stipulations. Ms. Van Landuyt reviewed the revenue requirement and cost
17 information and I reviewed the rate information provided by Qwest
18 Corporation (Qwest), Pioneer Telephone Cooperative (Pioneer) and Trans-
19 Cascades Telephone Company (Trans-Cascades). Additionally, staff
20 engineers Irv Emmons and Rick Carter reviewed each utility's engineering
21 deployment plans, especially with respect to interoffice trunking. The
22 results of all staff analyses are presented in my testimony.

23 **Q. WHAT DOCKETS ARE INVOLVED IN THIS ROUND OF EAS**
24 **INVESTIGATIONS?**

25 A. There are two petitions for new EAS routes involved in this round of EAS
26 investigations. The investigation deals with 18 new EAS routes between

1 three connecting telephone companies, affecting 101,903 access lines. A
 2 petition by customers of Pioneer's Chitwood exchange for EAS to Qwest's
 3 Corvallis and Siletz exchanges, as well as, to Pioneer's Blodgett, Harlan,
 4 Philomath, and Summit exchanges was docketed as UM 1175 for
 5 investigation. A petition by customers of Trans-Cascades' Antelope
 6 exchange for EAS to Qwest's Redmond, Culver and Bend exchanges was
 7 docketed as UM 1207 for investigation. The investigations were
 8 consolidated for scheduling, and are referred to in my testimony as
 9 UM 1175 *et al.* The dockets encompass all of the EAS routes that passed
 10 the community of interest phase (Phase I) of the EAS investigation by
 11 August 30, 2005.¹

12 **Q. DID YOU PREPARE EXHIBITS FOR THIS DOCKET?**

13 A. I prepared 8 exhibits as follows:

- 14 Exhibit Staff/1.....Direct Testimony
- 15 Exhibit Staff/2.....Witness Qualifications
- 16 Exhibit Staff/3 through 5.....Staff/Company Stipulations
- 17 Exhibit Staff/6 through 8.....EAS Rate Schedules

18 **Q. HOW IS YOUR EXHIBIT STAFF/1 ORGANIZED?**

19 A. I have organized staff's comments in Exhibit Staff/1 as follows:

- 20 Introduction..... Sloan/1
- 21 EAS Criterion 1..... Sloan/4
- 22 EAS Criterion 2..... Sloan/5
- 23 EAS Criterion 3..... Sloan/6
- 24 EAS Criterion 4..... Sloan/7
- 25 Qwest..... Sloan/7
- 26 Pioneer..... Sloan/9
- 27 Trans-Cascades..... Sloan/11
- 28 EAS Criterion 5..... Sloan/14

¹ See PUC Orders No. 05-163, dated April 1, 2005, in Docket UM 1175 and 05-893, dated August 8, 2005, in Docket UM 1207.

1	EAS Criterion 6.....	Sloan/15
2	EAS Criterion 7.....	Sloan/16
3	EAS Criterion 8.....	Sloan/17
4	EAS Criterion 9.....	Sloan/19
5	EAS Criterion 10.....	Sloan/20
6	Conclusion.....	Sloan/22

7

8 **Q. DO YOU WISH TO PRESENT COMPANY-STAFF STIPULATIONS IN**

9 **UM 1175 ET AL.?**

10 A. Yes, the company-staff stipulations are attached as Exhibits Staff/3 through

11 Staff/5 as follows:

- | | | |
|----|----------------------------------|-----------------|
| 12 | Qwest-staff stipulation | Exhibit Staff/3 |
| 13 | Pioneer-staff stipulation | Exhibit Staff/4 |
| 14 | Trans-Cascades-staff stipulation | Exhibit Staff/5 |

15 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE**

16 **STIPULATIONS?**

17 A. I recommend the Commission adopt the stipulated rates and other

18 provisions included in the stipulations between staff and the utilities. The

19 stipulated rates for all utilities are reasonable and in the public interest.

20 The utilities have filed the stipulated rates for the purpose of implementing

21 requests for EAS that are under investigation in the current round of EAS

22 dockets.

23 **Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?**

24 A. Staff's comments are organized according to the ten EAS rate and cost

25 recovery criteria established by the Commission in Order No. 89-815,

26 dated June 19, 1999, in Docket UM 189. The discussion of each criterion

27 begins on a separate page.

1 **EAS CRITERION 1: FLAT EAS RATES MUST BE AVAILABLE FOR ALL**
2 **EAS ROUTES.**

3 Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with
4 Criterion 1. Each of these companies has made a flat rate available for all EAS
5 routes, existing and proposed. The flat EAS rates are shown in Exhibits Staff/6
6 through Staff/8 as follows:

7	Qwest	Exhibit Staff/6
8	Pioneer	Exhibit Staff/7
9	Trans-Cascades	Exhibit Staff/8

1 **EAS CRITERION 2: A MEASURED RATE OPTION MUST BE AVAILABLE**
2 **FOR ALL EAS ROUTES.**

3 Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with
4 Criterion 2.² Each of these companies currently provides a measured option
5 for EAS service and agrees to make the option available in each exchange that
6 is scheduled to receive new EAS no later than August 5, 2006.³

7 In this consolidated EAS docket no company has proposed to change
8 its measured EAS rate. All of the measured EAS rates proposed by the
9 companies are consistent with measured rates charged by the other
10 telecommunications utilities and with Commission guidelines. Current and
11 proposed measured EAS rates are shown in Exhibits Staff/6 through Staff/8.

² Some customers may not be able to subscribe to measured EAS even though the utilities offer a measured EAS option. There are two reasons this can occur: (1) Measured EAS is not available with multi-party service for technical reasons (However, there are relatively few multi-party customers). (2) InterLATA EAS between a (former) Bell Operating Company exchange and other exchanges has, in the past, been precluded by the Federal Communications Commission.

³ PUC Order No. 00-644, dated October 13, 2000, in docket UM 957, requires local exchange carriers to implement new approved EAS routes by the first Saturday in August of each year.

1 **EAS CRITERION 3: A COMBINATION OF FLAT RATE LOCAL EAS**
2 **EXCHANGE SERVICE AND MEASURED EAS MUST BE OFFERED.**

3 Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with
4 Criterion 3.⁴ Each of these companies currently provides a combination of flat
5 rate local exchange service and measured rate EAS. This combination will be
6 available in all exchanges that are scheduled to receive new EAS no later than
7 August 5, 2006.

⁴ In exchanges owned and operated by former Bell Operating Companies (BOCs), the FCC has, in the past mandated non-optional, flat rates for interLATA EAS routes if the BOC hauls the interLATA traffic. See FCC Order No. 97-244. Therefore, for interLATA EAS routes between a BOC exchange and a non-BOC exchange (or between two BOC exchanges), and where the BOC hauls the interLATA traffic, a measured EAS rate has not been available for customers in the BOC exchange(s).

1 **EAS CRITERION 4: FLAT EAS RATES SHOULD BE ASYMMETRICAL**
2 **BETWEEN EXCHANGES TO REFLECT DIFFERENCES IN THE NUMBER**
3 **OF SUBSCRIBER LINES.**

4 Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with
5 Criterion 4. Each of these companies has an existing company-wide matrix of
6 EAS rates, which satisfies this criterion. Typically, companies design EAS rate
7 matrices based on the number of access lines customers may reach through
8 the use of EAS. Generally, the more access lines accessible through EAS, the
9 greater the charge to customers using flat-rate EAS.

10 Whenever I refer to access line counts that customers may reach
11 through EAS, I refer only to incumbent local exchange carrier (ILEC) access
12 lines. It should be noted that EAS capabilities in a given exchange might also
13 reach competitive local exchange carrier (CLEC) customers as well as ILEC
14 customers. However, line counts are not readily identifiable in most instances
15 because ILECs do not provide a record of line counts, by LEC exchange, to the
16 PUC for EAS investigations. The access line counts that I use are taken from
17 the Oregon Telecommunications Association (OTA) 2004-2005 Membership
18 Directory, except for Qwest exchanges.

19 Below is a detailed description of each utility's stipulated flat EAS rates.
20 **QWEST.** Qwest has 64 exchanges in Oregon, with approximately one million
21 access lines. Exchanges operated by Qwest are involved in both EAS
22 petitions in this EAS cycle, Docket Nos. UM 1175 and UM 1207. Five Qwest
23 exchanges will receive new EAS routes and the company proposes to get its
24 stipulated revenue recovery dollars from increases in its EAS usage premiums
25 rather than from any increase in its EAS flat or measured rates.

26 In Docket No. UM 1175, Qwest's customers in its Corvallis and Siletz

1 exchanges gain an EAS route to Pioneer's Chitwood exchange (306 access
2 lines). In Docket No. UM 1207, Qwest's customers in its Redmond, Culver and
3 Bend exchanges gain an EAS route to Trans-Cascade's Antelope exchange
4 (238 access lines).

5 The Qwest EAS rate matrix is based on the classification of exchanges
6 by the number of access lines available to a caller in a particular EAS calling
7 area, i.e., the number of access lines that a customer in that exchange can call
8 without incurring a toll charge. For example, Culver exchange customers are
9 currently in EAS Band B (50,001-600,000 access lines) because they can
10 originate EAS calls to three exchanges - Bend (46,703 access lines), Madras
11 (4,206 access lines) and Redmond (16,768 access lines), for a total of 67,677
12 available EAS access lines.

13 Qwest is not proposing to change its local exchange rates or its EAS
14 flat rates as a part of this proceeding. The EAS flat rates for the five new
15 routes are derived from the company's current EAS matrix, shown on Exhibit
16 Staff/6. All five exchanges involved currently have EAS and all five exchanges
17 remain in their current EAS rate band.

18 The only EAS rate changes proposed by Qwest are to its residence
19 and business EAS discounted usage packages. The company has two
20 residence usage packages available on budget measured lines, a three hour
21 package and a six hour package of outgoing local usage per line. The
22 company proposes to increase its flat EAS premium from \$0.32 to \$0.35, or 9.4
23 percent, for EAS Rate Band A residence customers electing a usage package
24 and from \$0.79 to \$0.81, or 2.5 percent, for EAS Rate Band B residence
25 customers electing a usage package. The company has five business usage
26 packages, one package for Centrex customers and four packages for non-

1 Centrex customers – six hour, nine hour, twelve hour and eighteen hour
2 packages of outgoing local usage per line. The company proposes to increase
3 the flat EAS premium from \$0.39 to \$0.43, or 10.3 percent, for EAS Rate Band
4 A Centrex customers electing a usage package and from \$0.85 to \$0.92, or 8.2
5 percent, for EAS Rate Band B Centrex customers electing a usage package.
6 For non-Centrex business customers electing a usage package, Qwest is
7 proposing to increase the flat EAS premium from \$0.49 to \$0.51, or 4.1
8 percent, for EAS Rate Band A and from \$1.04 to \$1.05, or 1.0 percent, for EAS
9 Rate Band B for customers electing a 6 or 9-hour usage package, and from
10 \$1.81 to \$1.82, or .6 percent, for EAS Rate Band B customers electing a 12 or
11 18-hour usage package.

12 Consequently, none of Qwest's customers, throughout the state, who
13 elect flat rate access service with flat rate EAS, or who elect measured rate
14 access service with Qwest's standard measured rate EAS, will experience an
15 increase in their EAS rate as a result of this proceeding, not even customers of
16 the five Qwest exchanges that receive new EAS routes in this docket.
17 However, each of Qwest's customers, throughout the state, who elect
18 measured rate service with a usage package, will experience an increase in
19 their EAS rates, whether or not they receive any new EAS routes. The
20 company's EAS rate matrix is shown at Exhibit Staff/6.

21 **PIONEER.** Pioneer is a telecommunications cooperative⁵ with 14 exchanges
22 and a total of 15,811 access lines in Oregon. Exchanges operated by Pioneer
23 are involved in only one petition in the 2005 EAS cycle, Docket No. UM 1175.
24 Pioneer's Chitwood exchange customers petitioned for EAS to Qwest's
25 Corvallis and Siletz exchanges as well as to Pioneer's Blodgett, Harlan,

⁵ See Oregon Administrative Rules, Chapter 860, Division 34.

1 Philomath and Summit exchanges. Five Pioneer exchanges will receive new
2 EAS routes and the company proposes to get its stipulated revenue recovery
3 from increasing the petitioning exchange's (Chitwood's) residence and
4 business EAS flat rate.

5 Consequently, if the petition is approved, Pioneer's Chitwood
6 exchange customers will gain EAS routes to Qwest's Corvallis and Siletz
7 exchanges and to Pioneer's Blodgett, Harlan, Philomath and Summit
8 exchanges. Customers of Pioneer's Blodgett, Harlan, Philomath and Summit
9 exchanges will also gain an EAS route to Pioneer's Chitwood (306 access
10 lines) exchange. The company's EAS rate matrix is shown at Exhibit Staff/7.

11 Chitwood exchange customers currently have EAS to Qwest's Newport
12 (6,500 access lines) and Toledo (2,267 access lines) exchanges and can
13 reach a total of 8,767 access lines outside the base exchange without paying
14 a toll charge. If the Commission approves the petition, Pioneer's Chitwood
15 exchange will receive EAS to Qwest's Corvallis (27,576 access lines) and
16 Siletz (1,282 access lines) exchanges and to Pioneer's Blodgett (236 access
17 lines), Harlan (75 access lines), Philomath (5,042 access lines) and Summit
18 (201 access lines) exchanges. Chitwood customers would then be able to
19 reach a total of 43,179 access lines outside the base exchange without
20 paying a toll charge.

21 Chitwood is currently in Pioneer's EAS rate band C and pays a monthly
22 flat EAS rate of \$2.95 for residential customers and \$5.90 for business
23 customers. Pioneer is proposing that the monthly EAS flat rate for its
24 Chitwood customers be increased to the rate that its Philomath customers
25 currently pay for EAS flat rate - \$3.95 for residence and \$6.90 for business
26 customers. This is an increase of \$1.00 from the current monthly flat EAS

1 rates for both residence and business customers. Customers of Pioneer's
2 Blodgett, Harlan, Philomath and Summit exchanges will also gain EAS to
3 Pioneer's Chitwood (306 access lines) exchange. Blodgett, Harlan and
4 Summit are currently in Pioneer's Rate Group C and Philomath is currently a
5 special EAS situation outside the company's normal EAS rate matrix. These
6 exchanges will retain their current EAS Rates. Pioneer is not proposing an
7 increase for customers in these exchanges.

8 Consequently, if the Commission approves the EAS petitions in this
9 proceeding, customers of the Chitwood exchange will experience an increase
10 of 35,412 (44,179 – 8,767) access lines they can reach without a toll charge.
11 For this 504 percent increase in EAS access, the customers will experience
12 an increase of \$1.00 per month in their EAS flat rate. Customers of Pioneer's
13 Blodgett, Harlan, Philomath and Summit exchanges will experience an
14 increase of 306 access lines they can reach without a toll charge, and will
15 experience no increase in their rates.

16 Effective January 1, 2002, the Public Utility Commission of Oregon no
17 longer has authority to regulate EAS charges for cooperative telephone
18 companies such as Pioneer. Authority for regulating cooperative telephone
19 company EAS rates was removed under House Bill 2727, which was signed
20 into law by Governor Kitzhaber on July 27, 2001.

21 **TRANS-CASCADES.** Trans-Cascades is a small telecommunications utility
22 (less than 50,000 access lines)⁶ with one exchange and 238 access lines in
23 Oregon. In Docket UM 1207, customers of Trans-Cascades' only Oregon
24 exchange, the Antelope exchange, petitioned for EAS to Qwest's Redmond,
25 Culver and Bend exchanges.

⁶ See Oregon Revised Statute 759.040 and Oregon Administrative Rules, Chapter 860, Division 034.

1 Since Trans-Cascades has only one exchange, it does not have an
2 EAS rate matrix. Antelope exchange customers currently have EAS to Qwest's
3 Madras (4,206 access lines) exchange. If the Commission approves the EAS
4 petitions in this proceeding, Antelope will gain EAS to Qwest's Redmond
5 (16,768 access lines), Culver (1,470 access lines) and Bend (46,703 access
6 lines) exchanges. Antelope customers would then be able to reach a total of
7 69,147 access lines outside the base exchange without paying a toll charge.

8 Trans-Cascades is unable to achieve its stipulated revenue recovery
9 through increases in only the EAS flat rates, and the company's measured
10 EAS rate of \$0.08 per minute is the maximum allowed.⁷ Therefore, the
11 company proposes to increase both the EAS flat rate and the local access rate
12 to recover its stipulated revenues. The proposal is consistent with the
13 Commission's EAS guideline that flat rate EAS rates should be no greater than
14 50 percent of the total intrastate charge for flat rate local exchange access and
15 flat rate EAS combined. See Commission Order No. 91-1140 at 20.

16 Antelope exchange one-party residence customers currently pay a
17 monthly local service rate of \$8.07 and an EAS flat rate of \$8.06. One-party
18 business customers currently pay a monthly local service rate of \$17.89 and an
19 EAS flat rate of \$14.79. Trans-Cascades proposes to increase its one-party
20 residence local service and residence EAS flat rate to \$9.32 each. The
21 company proposes to increase its one-party business local service rate to
22 \$20.63 and its business EAS flat rate to \$16.94.

23 Consequently, if the Commission approves the EAS petitions in this
24 proceeding, customers of the Antelope exchange will experience an increase
25 of 64,941 access lines they can reach without a toll charge. Residence

⁷ See Commission Order No. 91-1140 at 20, in Docket No. UM 261.

1 customers will experience an increase of \$1.25, or 15.5 percent, in their local
2 service rate and an increase of \$1.26, or 15.6 percent, in their EAS flat rate.
3 Business customers will experience an increase of \$2.74, or 15.3 percent, in
4 their local service rate and an increase of \$2.15, or 14.5 percent, in their EAS
5 flat rate.

6

7

8

9

1 **EAS CRITERION 5: ONE FLAT RATE OPTION SHOULD**
2 **INCORPORATE ALL EAS SERVICE AVAILABLE TO THE CUSTOMER.**

3 Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with
4 Criterion 5. Each of these utilities provides a flat rate option incorporating all
5 EAS routes available to customers in each exchange.
6

1 **EAS CRITERION 6: FLAT EAS RATES MUST INCLUDE A**
2 **RESIDENTIAL TO BUSINESS DIFFERENTIAL UNDER WHICH THE**
3 **BUSINESS CUSTOMERS PAY A HIGHER FLAT RATE.**

4 Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with
5 Criterion 6. All of the companies charge a higher flat EAS rate per line to their
6 business customers than to their residential customers. They propose to
7 retain a business to residential rate ratio in their current tariffs. See Exhibits
8 Staff/6 through Staff/8.

1 **EAS CRITERION 7: MEASURED EAS RATES MUST BE THE SAME**
2 **FOR BUSINESS AND RESIDENTIAL CUSTOMERS.**

3 Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with
4 Criterion 7. Each of the companies charges the same measured EAS rate to
5 both residential and business customers. Current and proposed measured
6 EAS rates for each company are shown in Exhibits Staff/6 through Staff/8.

EAS CRITERION 8: EAS RATES MUST RECOVER THE COSTS OF SWITCHING AND TRANSPORT, AND MAKE A CONTRIBUTION TO COMMON OVERHEAD AND THE COST OF THE LOCAL LOOP.

Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with Criterion 8. The proposed EAS revenues for the most part recover traffic sensitive (TS) costs (i.e., the distributed costs of switching and transport). A summary of the stipulation results for Criterion 8 is set forth below:

<u>Company</u>	<u>EAS Revenue</u>	<u>TS Cost</u>	<u>Contribution</u>
Pioneer	\$719,277	\$728,412	\$ (9,135)
Trans-Cascades	\$ 23,757	\$ 24,503	\$ (746)

Pioneer experiences a deficiency of \$9,135, but has informed staff that the company wishes to absorb this deficit. Trans-Cascades experiences a deficiency of \$746. This deficiency is considered to be insignificant.

For non-Primary Toll Carriers (PTCs), in order to evaluate TS cost recovery, staff uses the distributed cost method in the Federal Communications Commission's CFR Part 36. (In this investigation, there are two non-PTCs — Pioneer and Trans-Cascades.) This method allocates cost (revenue requirements) to broad categories of service -- interstate and intrastate toll, EAS, and local exchange service. Staff uses this method to prepare two cost studies, one pre-EAS conversion study and one post-EAS conversion study. The development of these studies is discussed further under EAS Criterion 10. EAS Criterion 8 examines the post-EAS conversion cost study to determine whether total EAS revenues after conversion recover at least the distributed cost of switching, transport and associated overheads. Overheads include such things as general support facilities (land, buildings, motor vehicles, furniture, etc.) and a proportionate share of customer and

1 corporate operation expenses.

2 For the purposes of determining the EAS TS revenue requirement, the
3 balance of subscriber loop costs (i.e., non-traffic sensitive or NTS costs)
4 which are not assigned to intrastate and interstate toll services, are assigned
5 to local exchange services. This is done to (1) adequately measure EAS
6 Criterion 8 relative to TS costs, and (2) to allow sufficient rate design flexibility
7 to deal with situations where EAS rates may not be able to absorb the same
8 level of NTS cost that is assigned to toll services. Further discussion on this
9 matter is provided in PUC Order No. 89-815, pages 21-23.

10 When staff computes the EAS revenue requirement, staff uses a return
11 on rate base equal to the utility's last authorized rate of return. For the
12 cooperative telecommunications utilities and small telecommunications
13 utilities having less than 50,000 access lines, staff uses an 11.1 percent rate
14 of return.

15 Staff's method for computing 2006 EAS cost recovery requirements for
16 PTC Qwest differs from its method used in prior EAS dockets. Qwest
17 petitioned and the Commission adopted a stipulation exempting Qwest's
18 intraLATA toll services from regulation in Order No. 03-609, dated October
19 16, 2003, Docket UX 28. Therefore, in these dockets, Qwest's cost recovery
20 amount includes only regulated revenues and costs. These include lost
21 access charge revenue and additional network costs required for the EAS
22 conversions. The cost recovery amount no longer includes the loss of
23 deregulated intraLATA toll or the associated access charge savings.

24

1 **CRITERION 9: REVENUE SHORTFALLS DUE TO NEW EAS ROUTES**
2 **MUST BE MADE UP FIRST FROM COMPANY-WIDE EAS RATES, THEN**
3 **FROM COMPANY-WIDE LOCAL EXCHANGE RATES.**

4 Stipulated rates for Qwest, Pioneer and Trans-Cascades comply with
5 Criterion 9. Only Trans-Cascades has proposed to increase local exchange
6 rates in this proceeding. Trans-Cascades increased its local exchange rates
7 to comply with the Commission's rate-balancing standard outlined in Order
8 No. 91-1140, dated September 5, 1991, Docket UM 261. See explanation of
9 Trans-Cascades' proposed EAS rate changes under Criterion 4, above.

1 **EAS CRITERION 10: EAS TARIFF PROPOSALS SHOULD BE NET**
 2 **REVENUE NEUTRAL.**

3 Under Criterion 10, the additional EAS or local exchange revenues
 4 proposed should equal the sum of the cost shift attributed to the EAS
 5 conversions plus any additional cost for EAS. Such tariffs are deemed "net
 6 revenue neutral." Stipulated rates proposed by all three telecommunications
 7 utilities substantially comply with Criterion 10. Deviations from exact revenue
 8 neutrality are either very small (from a total company EAS revenues point of
 9 view) or are the result of a utility's decision to accept a net revenue loss (i.e.,
 10 Pioneer). A summary of the stipulated results for Criterion 10 is set forth
 11 below:

12 <u>Company</u>	13 <u>Proposed</u> <u>Rev. Increase</u>	14 <u>Cost Shift</u> <u>Plus Provision</u>	15 <u>Net Revenue</u> <u>Change</u>
16 Qwest	\$ 10,163	\$ 9,305	\$ 858
17 Pioneer	\$ 3,588	\$ 29,098	(\$25,510)
18 Trans-Cascades	\$ 7,108	\$ 7,128	(\$ 20)

19 For the purpose of evaluating compliance with Criterion 10, net
 20 revenue neutrality is determined by comparing the proposed increase in EAS
 21 and local exchange revenues with the EAS cost recovery amount. The cost
 22 recovery amount has two components. The first component is the cost shift
 23 due to the change in telephone traffic from toll to EAS for the routes being
 24 converted. The second component is the additional cost of EAS provisioning
 25 due to additional facilities needed to handle stimulated EAS traffic plus any
 26 associated operating expenses.

Both components of the cost recovery amount are determined based
 on two distributed cost studies -- a pre-EAS conversion cost study and a post-

1 EAS conversion cost study. The post-EAS conversion cost study includes
2 any additional facilities and associated costs for EAS. It also includes
3 changes in various traffic factors used to reclassify toll traffic to EAS traffic on
4 the specific routes being converted. The EAS traffic is then stimulated to
5 reflect the greater calling propensity of consumers who will no longer pay long
6 distance charges for those destinations. Based on the experience gained
7 from creation of the Portland EAS Region in Docket No. UM 261, traffic
8 stimulation factors for this case have been set in the range of 2.0 to 2.1 times
9 toll minutes lost.

10 Traffic factors reflect the relative use of telephone plant and govern
11 how costs are allocated in distributed cost studies. Most traffic factors
12 respond as usual to changes in toll and EAS calling patterns due to EAS
13 conversion. However, the subscriber plant factor (SPF) deserves some
14 additional explanation.

15 The SPF governs the allocation of local loop cost to service categories.
16 Under Federal Communications Commission rules, the interstate toll SPF is
17 an arbitrary factor set at 25 percent. For intrastate toll, however, the SPF is
18 subject to a transition to the relative use of the local loop under the provisions
19 of the current Oregon Customer Access Plan (OCAP). See *PUC* Order
20 No. 93-1133, Appendix A. For the EAS conversions, the intrastate toll/access
21 SPF is adjusted downward based on the pro rata reduction in subscriber line
22 toll minutes of use. The result of this adjustment is set forth in each
23 stipulation.

24 To arrive at the EAS cost recovery amount, the pre-EAS conversion
25 cost study is subtracted from the post-EAS conversion cost study. The loss
26 of intrastate and interstate toll revenue requirements due to the traffic shift

1 equals the cost shift component of the EAS cost recovery amount. The
2 increase in EAS and local exchange revenue requirements over and above
3 the lost toll amount equals the additional cost of EAS provisioning due to
4 additional facilities and expenses charged to EAS or local exchange
5 operations. For Qwest, the cost recovery amount is the sum of the access
6 charge revenue loss and the additional network costs required for the EAS
7 conversion.

8 **CONCLUSION**

9 Staff recommends the Commission adopt the stipulated rates and
10 other provisions included in the stipulations between staff and Qwest, Pioneer
11 and Trans-Cascades. The stipulated rates are reasonable and in the public
12 interest.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes.

15

CASE: UM 1175 et al
WITNESS: David L. Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 2

Witness Qualification Statement

March 15, 2006

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WITNESS QUALIFICATION STATEMENT

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I graduated from Kansas University in 1968 with a Bachelor of Science degree in Business Administration, with concentration in the areas of finance and accounting. I began my career in the telecommunications industry in 1968 as a corporate auditor for GTE's Midwest Region. I spent the next 13 years in the telecommunications industry, with GTE and with United Telephone Company of Ohio. During that period I worked in, or directed the activities of, every major function of telephony accounting. I have worked in the development of general rate filings with state utility commissions as special studies manager; maintenance of the accounting books and records as general accounting manager; direction of the internal audit function as director of internal audits; and finally had overall responsibility for the accounting function as company comptroller of General Telephone Company of Ohio in 1981.

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In 1982, I entered the electric industry, with Nevada Power Company in Las Vegas, Nevada. I spent 6 years with Nevada Power Company, serving most of that time as Vice President and Chief Financial Officer of the Corporation.

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In 1988 I entered the natural gas industry as Senior Vice President and Chief Financial Officer of Southwest Gas Corporation in Las Vegas, Nevada.

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As Chief Financial Officer, at both Nevada Power Company and Southwest Gas Corporation, I had primary responsibility for the direction and supervision

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1 of the utility accounting function, information systems, company budgeting, and
2 the treasury function.

3 I joined the Oregon Public Utility Commission (OPUC) staff's
4 Telecommunications Division in June 1997 as a financial analyst in the rates
5 and technical analysis section. Since joining the OPUC my responsibilities
6 have included the design of telecommunications utility rate structures in
7 general rate filings and Extended Area Service filings. My responsibilities also
8 include the review and analysis of telecommunications utility tariff filings for
9 compliance with Oregon law and Commission policy - presenting the results of
10 my review and my recommendation for disposition of the filing to the
11 Commission at public meetings.

12 I have presented financial testimony in telephone utility general rate
13 proceedings in Ohio and Pennsylvania and in electric utility general rate
14 proceedings and electric utility financing applications in Nevada. I have also
15 presented testimony in numerous purchased power deferred accounting
16 proceedings in Nevada.

17 Since joining the OPUC, I have filed testimony in docket UM 909/UT 147,
18 related to Staff's investigation into Centrex-related issues, in docket UT 125,
19 Phase II, related to the rate design for Qwest's Centrex, vertical features and
20 listing services, in docket UM 979, related to InterLATA extended area service
21 between Newport and Lincoln City, in docket UT 155, related to Sprint's price
22 listed services, in docket UT 916 et al., related to sprint's proposal to change its
23 EAS rate matrix and the establishment of a Southern Oregon EAS Region, in

1 docket UM 1076, related to InterLATA extended area service between the
2 Siletz and Lincoln City exchanges, in docket UM 1061, related to the
3 boundaries for the proposed Southern Oregon EAS Region and in docket
4 UX 29, related to Qwest's petition to exempt all of its business switched
5 services from regulation.

6

CASE: UM 1175 et al
WITNESS: David L.Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 3

Stipulation Between Staff and Qwest

March 15, 2006

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

2006 Extended Area Service Dockets
Phase II

In the Matter of Petitions for Extended)	STIPULATION BETWEEN QWEST AND STAFF
Area Service by Chitwood (UM 1175) and)	
Antelope (UM 1207))	
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Qwest and the Public Utility Commission of Oregon staff, after having conducted extensive discovery and exchanges of information, stipulate and agree to the following:

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1. A cost recovery amount of \$9,305 as set forth at Line F.2 in Exhibit 1 to this stipulation.
2. A \$10,163 increase in annual EAS revenues as set forth at Line F.1 in Exhibit 1 to this stipulation.
3. The rates, terms and conditions as set forth in Advice No. 2009, filed October 14, 2005.

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Both parties reserve the right to re-examine Provisions 1 through 3 of this stipulation if the Commission does not approve any of the routes in dockets UM 1175 and UM 1207. In making this agreement, neither party takes a position on whether the Commission should approve the EAS routes at issue in the above-captioned dockets.

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In addition, Qwest specifically reserves, and does not waive, its right to object to or otherwise challenge or contest, in future EAS dockets or in any other proceeding, any future cost recovery calculations or staff's position that Qwest is no longer entitled to

1 recover lost toll revenue or access expense savings as a part of EAS cost recovery because
2 Qwest's toll services have been deregulated. See Order No. 03-609, in Docket UX 28.
3 Qwest further specifically reserves, and does not waive, its right to object to or otherwise
4 challenge or contest its participation in any future proposed EAS routes in the event that it
5 is unable or not permitted to recover its lost toll revenue or access expense savings that
6 would arise from any future proposed EAS routes.

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10 DATED this 10th day of February, 2006.

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13 _____
14 Don Mason
15 Oregon Regulatory Director for Qwest

16 DATED this 8th day of February, 2006.

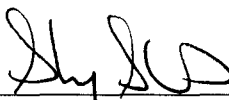
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19 _____
20 Stephanie Andrus
21 Assistant Attorney General
Of Attorneys for PUC Staff

Exhibit 1

Qwest		Summary of Impact of 2006 EAS Conversions	
UM 1175 & 1207		Staff and Company	
A.	Network Costs	\$	7,045
B.	Billed Access Revenue Loss:		
	1 Access Revenue from Dial Around MOU	\$	2,260
C.	Billed Orig. Toll Revenue Loss:		
	1 Originating Toll Revenue - Qwest	\$	-
	2 Originating Toll Revenue - Ind. Cos.	\$	-
D.	Access Expense Savings:		
	1 Access Payments to OECA (OCAF)	\$	-
E.	Cost Recovery Requirement for EAS:		
	1 Network Costs (L. A)	\$	7,045
	2 Revenue Loss from Access & Toll (L. B1+C1&2)	\$	2,260
	3 Less Access Expense Savings (L. D1)	\$	-
	4 Net EAS Requirement	\$	9,305
F.	EAS Criterion 10: Net Neutrality		
	1 Proposed EAS Revenue	\$	10,163
	2 Net EAS Recovery Requirement (L. E4)	\$	9,305
	3 Surplus or (Deficiency) (L. F1-F2)	\$	858

A surplus of \$858 is reasonable. Advice No. 2009 should be considered revenue neutral.

CASE: UM 1175 et al
WITNESS: David L. Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 4

Stipulation Between Staff and Pioneer

March 15, 2006

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

2006 Extended Area Service Dockets
Phase II

RECEIVED
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In the Matter of Petitions for Extended) **STIPULATION BETWEEN**
Area Service by Chitwood (UM 1175) and) **PIONEER TELEPHONE**
Antelope (UM 1207).) **COOPERATIVE**
) **AND STAFF**

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Pioneer Telephone Cooperative and the Public Utility Commission of Oregon

14 staff, after having conducted extensive discovery and exchanges of information, stipulate
15 and agree to the following:

16 1. A cost recovery amount of \$29,098 as set forth at Line G.3 in Exhibit 1 to this
17 stipulation.

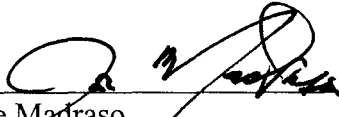
18 2. A \$3,588 increase in annual EAS revenues as set forth at Line I.2 in Exhibit 1
19 to this stipulation.

20 3. The rates, terms and conditions as set forth in Advice No. 55, filed
21 February 3, 2006.

22 Both parties reserve the right to re-examine Provisions 1 through 3 of this
23 stipulation if the Commission does not approve any of the routes in docket UM 1175. In
24 making this agreement, neither party to this stipulation takes a position on whether the
25 Commission should approve the EAS routes at issue in the dockets that comprise this
26 proceeding.

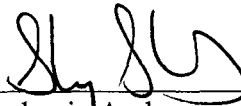
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DATED this 14th day of FEBRUARY, 2006.



Joe Madraso
Executive Vice President & General Manager
Pioneer Telephone Cooperative

DATED this 7th day of January, 2006.



Stephanie Andrus
Assistant Attorney General
Of Attorneys for PUC Staff

Exhibit 1

**Pioneer Telephone Cooperative
EAS Conversion: UM 1175**

**Summary of Revenue Shifts
& Billed Revenue Changes**

Staff and Company

A. INTERSTATE TOLL/ACCESS REV REQ:	
1. PRE EAS CONVERSION	9,341,265
2. POST EAS CONVERSION	9,341,265
3. CHANGE (2-1)	0
B. INTRASTATE TOLL/ACCESS REV REQ:	
1. PRE EAS CONVERSION	2,785,935
2. POST EAS CONVERSION	2,756,837
3. CHANGE (2-1)	(29,098)
4. STATE TOLL SPF-Current Pre-Conversion	0.122295
5. STATE TOLL SPF-Post Conversion	0.119568
C. BILLED ACCESS REVENUE LOSS:	
(@ current rates)	
1. ACCESS REVENUE LOSS	\$27,750
2. BILLING & COLLECTION REVENUE	\$29,254
3. ACCESS MINUTES	(480,558)
D. BILLED TOLL REVENUE LOSS:	
(@ current rates)	
1. TOLL REVENUE LOSS (Estimated)	\$22,756
2. BILLED TOLL MINUTES	(266,464)
E. EAS REVENUE REQUIREMENT:	
1. PRE EAS CONVERSION	724,672
2. POST EAS CONVERSION	728,412
3. CHANGE (2-1)	3,740
4. STIMULATION FACTOR	2.1
F. LOCAL (OTHER) REVENUE REQUIREMENT	
1. PRE EAS CONVERSION	4,557,087
2. POST EAS CONVERSION	4,582,445
3. CHANGE (2-1)	25,358
G. COST RECOVERY REQUIREMENT FOR EAS:	
1. LOST INTERSTATE & STATE TOLL REV REQ.	29,098
2. ADDITIONAL COST OF EAS PROVISIONING	0
3. TOTAL	29,098

Pioneer Telephone Cooperative
EAS Conversion: UM 1175

**Summary of Revenue Shifts
& Billed Revenue Changes**

Staff and Company

EAS CRITERION 10: NET REVENUE NEUTRAL

H. PROPOSED EAS REVENUE:

1. CURRENT	715,689
2. EAS REVENUE INCREASE	3,588
3. POST EAS CONVERSION	719,277

I. NET REVENUE NEUTRALITY - COST SHIFT METHOD

1. EAS COST RECOVERY REQ.	29,098
2. PROPOSED EAS REVENUE INCREASE	3,588
3. SURPLUS (DEFICIENCY) (L.2 -L.1)	(25,510)

**EAS CRITERION 8: EAS RATES MUST EXCEED
TRAFFIC SENSITIVE (TS) COSTS**

J. ALLOCATED TS COST TO EAS

1. PRE EAS CONVERSION	724,672
2. POST EAS CONVERSION	728,412
3. CHANGE (2 - 1)	3,740

K. EAS REVENUES

1. PRE EAS CONVERSION	715,689
2. POST EAS CONVERSION	719,277
3. CHANGE (2 -1)	3,588

L. CONTRIBUTION (LINES K - J)

1. PRE EAS CONVERSION	(8,983)
2. POST EAS CONVERSION	(9,135)

NOTE: The company has notified staff that it will stay with the EAS rates proposed in its October 2004 filing and will absorb the \$25,510 revenue shortfall shown on line I. 3.

CASE: UM 1175 et al
WITNESS: David L. Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 5

Stipulation Between Staff and Trans-Cascades

March 15, 2006

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

2006 Extended Area Service Dockets
Phase II

In the Matter of Petitions for Extended Area Service by Chitwood (UM 1175) and Antelope (UM 1207).) **STIPULATION BETWEEN**
) **TRANS-CASCADES TELEPHONE**
) **COMPANY AND STAFF**

Trans-Cascades Telephone Company and the Public Utility Commission of Oregon staff, after having conducted extensive discovery and exchanges of information, stipulate and agree to the following:

1. A cost recovery amount of \$7,128 as set forth at Line G.3 in Exhibit 1 to this stipulation.

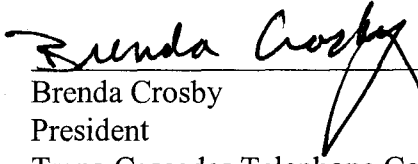
2. A \$7,108 increase in annual EAS revenues as set forth at Line I.2 in Exhibit 1 to this stipulation.

3. The rates, terms and conditions as set forth in Advice No. 86, Supplement 1, filed February 10, 2006.

Both parties reserve the right to re-examine Provisions 1 through 3 of this stipulation if the Commission does not approve any of the routes in docket UM 1207. In making this agreement, neither party to this stipulation takes a position on whether the Commission should approve the EAS routes at issue in the dockets that comprise this proceeding.

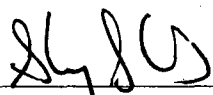
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DATED this 21 day of Feb, 2006.



Brenda Crosby
President
Trans-Cascades Telephone Company

DATED this 15th day of February, 2006.



Stephanie Andrus
Assistant Attorney General
Of Attorneys for PUC Staff

Exhibit 1

**Trans-Cascades Telephone Company
EAS Conversion: UM 1207**

**Summary of Revenue Shifts
& Billed Revenue Changes.
Staff and Company**

A. INTERSTATE TOLL/ACCESS REV REQ:	
1. PRE EAS CONVERSION	372,251
2. POST EAS CONVERSION	372,251
3. CHANGE (2-1)	0
B. INTRASTATE TOLL/ACCESS REV REQ:	
1. PRE EAS CONVERSION	49,046
2. POST EAS CONVERSION	41,917
3. CHANGE (2-1)	(7,129)
4. STATE TOLL SPF-Current Pre-Conversion	0.000000
5. STATE TOLL SPF-Post Conversion	0.000000
C. BILLED ACCESS REVENUE LOSS:	
(@ current rates)	
1. ACCESS REVENUE LOSS	\$8,777
2. BILLING & COLLECTION REVENUE	\$28,086
3. ACCESS MINUTES	(155,748)
D. BILLED TOLL REVENUE LOSS:	
(@ current rates)	
1. TOLL REVENUE LOSS (Estimated)	\$7,445
2. BILLED TOLL MINUTES	(102,144)
E. EAS REVENUE REQUIREMENT:	
1. PRE EAS CONVERSION	16,315
2. POST EAS CONVERSION	24,503
3. CHANGE (2-1)	8,188
4. STIMULATION FACTOR	2.1
F. LOCAL (OTHER) REVENUE REQUIREMENT	
1. PRE EAS CONVERSION	6,693
2. POST EAS CONVERSION	5,633
3. CHANGE (2-1)	(1,060)
G. COST RECOVERY REQUIREMENT FOR EAS:	
1. LOST INTERSTATE & STATE TOLL REV REQ.	7,129
2. ADDITIONAL COST OF EAS PROVISIONING	(1)
3. TOTAL	7,128

Trans-Cascades Telephone Company
EAS Conversion: UM 1207

**Summary of Revenue Shifts
& Billed Revenue Changes.**
Staff and Company

EAS CRITERION 10: NET REVENUE NEUTRAL

H. PROPOSED EAS REVENUE:	
1. CURRENT	16,649
2. EAS REVENUE INCREASE	7,128
3. POST EAS CONVERSION	23,777
I. NET REVENUE NEUTRALITY - COST SHIFT METHOD	
1. EAS COST RECOVERY REQ.	7,128
2. PROPOSED EAS REVENUE INCREASE	7,108
3. SURPLUS (DEFICIENCY) (L.2 -L.1)	(20)

**EAS CRITERION 8: EAS RATES MUST EXCEED
TRAFFIC SENSITIVE (TS) COSTS**

J. ALLOCATED TS COST TO EAS	
1. PRE EAS CONVERSION	16,315
2. POST EAS CONVERSION	24,503
3. CHANGE (2 - 1)	8,188
K. EAS REVENUES	
1. PRE EAS CONVERSION	16,649
2. POST EAS CONVERSION	23,777
3. CHANGE (2 -1)	7,128
L. CONTRIBUTION (LINES K - J)	
1. PRE EAS CONVERSION	334
2. POST EAS CONVERSION	(726)

A deficiency of \$20. is reasonable. Advice No. 86 should be considered revenue neutral.

CASE: UM 1175 et al
WITNESS: David L. Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 6

Qwest Rates

March 15, 2006

QWEST RATES

Qwest Monthly Flat EAS Rates

The Qwest EAS rate matrix is based on the classification of exchanges by the number of access lines available to a caller in a particular EAS calling area, i.e. the number of access lines that a customer in that exchange can call without incurring a toll charge. Qwest's current and proposed EAS rate matrices follow:

Current EAS Rate Matrix:

<u>EAS BAND</u>	<u>ACCESSIBLE EAS LINES</u>	<u>RESIDENTIAL RATES</u>		<u>BUSINESS RATES</u>			
		<u>Flat</u>	<u>Pkg 3, 6</u>	<u>Flat</u>	<u>Centrex</u>	<u>Pkg 6, 9</u>	<u>Pkg 12, 18</u>
A	1 - 50,000	\$1.28	\$0.32	\$1.95	\$0.39	\$0.49	\$0.98
B	50,001 - 600,000	\$2.20	\$0.79	\$3.27	\$0.85	\$1.04	\$1.81
C	600,001 - 999,000	\$4.97	\$1.24	\$7.49	\$1.50	\$1.87	\$3.75

Proposed EAS Rate Matrix:

<u>EAS BAND</u>	<u>ACCESSIBLE EAS LINES</u>	<u>RESIDENTIAL RATES</u>		<u>BUSINESS RATES</u>			
		<u>Flat</u>	<u>Pkg 3, 6</u>	<u>Flat</u>	<u>Centrex</u>	<u>Pkg 6, 9</u>	<u>Pkg 12, 18</u>
A	1 - 50,000	\$1.28	\$0.35	\$1.95	\$0.43	\$0.51	\$0.98
B	50,001 - 600,000	\$2.20	\$0.81	\$3.27	\$0.92	\$1.05	\$1.82
C	600,001 - 999,000	\$4.97	\$1.24	\$7.49	\$1.50	\$1.50	\$3.75

Additionally, Qwest's Albany, Jefferson, Salem, Newport and Siletz customers have non-optional, flat rate EAS (pursuant to FCC Order No. 97-244) for their interLATA EAS routes. The monthly non-optional, flat rate for residence customers and business customers is \$0.14 and \$0.20 for Albany, \$2.05 and \$3.00 for Jefferson, \$0.05 and \$0.07 for Salem, \$0.14 and \$0.21 for Newport and \$0.45 and \$0.90 for Siletz.

While no Qwest exchange customer will experience an increase in their EAS flat rate as a result of this proceeding, a majority of Qwest's EAS Band A and B measured rate customers that elect a discount usage package will experience a rate increase. The company proposes to only increase its usage rate to achieve its stipulated revenue recovery related to this proceeding. The rates that will increase are marked in bold in the table above.

Qwest Measured EAS Rates

Customers in all exchanges are allowed a measured rate option for their intraLATA EAS, pursuant to Criterion 2. Customers can change EAS rate options at no charge for 90 days after the effective date of any change in EAS rates.

Qwest's measured EAS rate is \$0.04 per minute of use for weekday calls and \$0.02 per minute of use for night, weekend, and holiday calls. Qwest is not proposing an increase in its measured EAS rate in this proceeding.

Qwest Local Exchange Rates

Qwest monthly local exchange rates for residence service are \$12.80, \$13.80, and \$14.80 for rate groups 1, 2, and 3, respectively. Its monthly local exchange rates for business service are \$26.00, \$28.50, and \$30.50 for rate groups 1, 2, and 3, respectively. Qwest is not proposing an increase in its local exchange rate in this proceeding.

CASE: UM 1175 et al
WITNESS: David L. Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 7

Pioneer Rates

March 15, 2006

PIONEER RATES

Pioneer's Monthly Flat EAS Rates

Effective January 1, 2002, the Public Utility Commission of Oregon no longer has authority to regulate EAS charges for cooperative telephone companies. Authority for regulating cooperative telephone company EAS rates was removed under House Bill 2727, which was signed into law by Governor Kitzhaber on July 27, 2001.

The Pioneer EAS rate matrix is based on the classification of exchanges by the number of access lines available to a caller in a particular EAS calling area, i.e. the number of access lines that a customer in that exchange can call without incurring a toll charge.

Pioneer's Current EAS Rate Matrix:

<u>EAS RATE GROUP</u>	<u>ACCESSIBLE ACCESS LINES</u>	<u>RESIDENTIAL RATES</u>	<u>BUSINESS RATES</u>
A	1 - 1,500	\$1.25	\$ 2.50
B	1,501 - 8,000	\$1.55	\$ 3.10
C	8,001 - 38,000	\$2.95	\$ 5.90
D	Greater than 38,000	\$7.00	\$14.00

EAS flat rates for two of Pioneer's exchanges are special EAS situations and do not follow the above matrix. Triangle Lake residence monthly EAS flat rate is \$8.00, Philomath residence monthly EAS flat rate is \$3.95, and Philomath business monthly EAS flat rate is \$6.90.

Pioneer is proposing to make no changes to its EAS rate matrix, but to price Chitwood's EAS as a special EAS situation similar to Philomath. The company proposes special monthly EAS rates of \$3.95 and \$6.90, respectively, for Chitwood residence and business customers. This is an increase of \$1.00 per month from Chitwood's current "EAS Rate Group C" rates of \$2.95 and \$5.90 for residence and business, respectively.

Pioneer's measured EAS Rates

Customers in all exchanges are allowed an EAS measured rate option pursuant to Criterion 2. Customers can change EAS rate options at no charge for 90 days after the effective date of any change in EAS rates.

Pioneer's EAS measured rate is \$0.05 per minute of use. There are no discounts for evening, weekend, holiday, or other calls.

Pioneer is not proposing to increase its measured EAS rate in this proceeding.

Pioneer's Monthly Local Exchange Service Rates

Currently the company's monthly residence and single line business local exchange rates are \$10.00 and \$11.00, respectively. Pioneer is not proposing to increase its local exchange rates in this proceeding.

CASE: UM 1175 et al
WITNESS: David Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 8

Trans-Cascades Rates

March 15, 2006

TRANSCASCADES RATES

TransCascades Monthly Flat EAS Rates

Since TransCascade has only one exchange in Oregon (Antelope) it does not have an EAS rate matrix. TransCascades' current EAS rates, per line, are as follows:

CURRENT RATES:

	RESIDENCE	BUSINESS				
	One <u>Party</u>	One <u>Party</u>	PBX <u>Trunk</u>	Key <u>System</u>	Pay <u>Phone</u>	Semi <u>Public</u>
Local Svc.	\$ 8.07	\$17.89	\$28.77	\$23.00	\$23.00	\$19.63
EAS Flat Rate	\$ 8.06	\$14.79	\$28.76	\$22.99	\$22.99	\$19.62

PROPOSED RATES:

	RESIDENCE	BUSINESS				
	One <u>Party</u>	One <u>Party</u>	PBX <u>Trunk</u>	Key <u>System</u>	Pay <u>Phone</u>	Semi <u>Public</u>
Local Svc.	\$ 9.32	\$20.63	\$28.77	\$23.00	\$23.00	\$19.63
EAS Flat Rate	\$ 9.32	\$16.94	\$28.76	\$22.99	\$22.99	\$19.62

Proposed rate changes are shown in bold.

TransCascades Measured EAS Rates

Customers in all exchanges are allowed a measured rate option pursuant to Criterion 2. Customers can change EAS rate options at no charge for 90 days after the effective date of any change in EAS rates.

TransCascades' measured EAS rate is \$0.08 per minute of use for all calls. The company does not offer a discount for night, weekend, and holiday calls.

TransCascades is not proposing an increase in its measured EAS rate in this proceeding.

CERTIFICATE OF SERVICE

UM 1175 et al.

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to all parties or attorneys of parties.

Dated at Salem, Oregon, this 15th day of March, 2006.



Stephanie S. Andrus
Assistant Attorney General
Of Attorneys for Public Utility Commission's Staff
1162 Court Street NE
Salem, Oregon 97301-4096
Telephone: (503) 378-6322

**UM 1175 et al
Service List (Parties)**

NANCY LEE BOHLMAN	5613 NASHVILLE ROAD EDDYVILLE OR 97343
DEPARTMENT OF JUSTICE STEPHANIE S ANDRUS ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
MICHAEL T WEIRICH ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 michael.weirich@state.or.us
PIONEER TELEPHONE COOPERATIVE RANDY MORGAN ADMINISTRATIVE MANAGER	PO BOX 631 PHILOMATH OR 97370-0631 randymorgan@pioneer.net
PUBLIC UTILITY COMMISSION LANCE BALL	PO BOX 2148 SALEM OR 97308-2148 lance.ball@state.or.us
QWEST CORPORATION DON MASON	421 SW OAK ST RM 810 PORTLAND OR 97204 don.mason@qwest.com

SHANE GOMES	PO BOX 70 ANTELOPE OR 97001
CASCADE UTILITIES INC STEVE CROSBY OPERATIONS MGR	PO BOX 189 ESTACADA OR 97023 crosbys@cuaccess.net
DEPARTMENT OF JUSTICE STEPHANIE S ANDRUS ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
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