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BEFORE THE PUBLIC UTILITY COMMISSION**

OF OREGON

UT 155

In the Matter of the Revised Tariff)	
Sheets Filed by UNITED TELEPHONE)	
COMPANY OF THE NORTHWEST for)	ORDER
Telecommunications Service.)	
Advice No. OR02-16.)	

DISPOSITION: INVESTIGATION OPENED

On July 31, 2002, United Telephone Company of the Northwest (Sprint or Company) filed Advice No. OR02-16 with the Public Utility Commission of Oregon (Commission). It significantly increased rates for price-listed Message Toll Service (MTS) and its price-listed feature packages.¹ Although the Commission staff (Staff) notes that OR02-16 was properly filed pursuant to the filing requirements for price list revisions, as required by Oregon Administrative Rule 860-032-0035(1), "the rate increases implemented with the filing are so substantial as to cause staff to question whether Sprint's MTS is 'subject to competition,' the conclusion reached by the Commission in Order No. 98-239."²

As the Staff notes, ORS 756.568, Rescission, suspension and amendment of orders provides in pertinent part as follows: "The Public Utility Commission may at any time, upon notice to the public utility or telecommunications utility and after opportunity to be heard as provided in ORS 756.500 to 756.610, rescind, suspend or amend any order made by the commission." Pursuant to the rules and statutes cited in the Staff Report and for the reasons stated therein, the Commission concludes that an investigation is warranted.

¹The packages are variously identified as Advantage, Call Manager, Sprint Essentials, In Touch With Call Forward and Sprint Elite. The Commission granted price listing status for these services by Order No. 99-662 in Docket UD 12, dated October 26, 1999.

² Public Meeting Staff Report dated August 27, 2002, p. 1. This report is affixed as Appendix A hereto and is made an integral part of this Order.

ORDER

IT IS ORDERED that an investigation shall be conducted into the Message Toll Service rates of Sprint, the continuation of the Company's authority to price list its Message Toll Services, and the Company's current earnings level.

Made, entered, and effective _____.

Roy Hemmingway
Chairman

Lee Beyer
Commissioner

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

ITEM NO.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: September 3, 2002

REGULAR	X	CONSENT	EFFECTIVE	Not Applicable
			DATE	
DATE:		August 27, 2002		
TO:		John Savage through Phil Nyegaard and Lance Ball		
FROM:		David Sloan		
SUBJECT:		<u>SPRINT/UNITED TELEPHONE CO OF THE NORTHWEST:</u> (Advice No. OR02-16) Staff request to open an investigation concerning: (1) the Message Toll Service (MTS) rates of Sprint/United Telephone Company of the Northwest (Sprint or Company); (2) whether Sprint's MTS should remain price listed; and (3) whether the current earnings of the Company are reasonable.		

STAFF RECOMMENDATION:

Staff recommends that the Commission open an investigative docket.

DISCUSSION:

On July 31, 2002, Sprint filed Advice No. OR02-16 significantly increasing rates for its price-listed MTS³ and its price-listed feature packages⁴. The rate increases were effective August 1, 2002. The increases in rates, on average, are approximately 23 percent. An analysis of the rate increases is attached as Exhibit 1. Customers were noticed via bill message prior to the rate changes. A copy of the Customer Notice is attached as Exhibit 2.

³ The Company's petition to price list its intraLATA message toll services was granted by the Commission in Docket UD 5. See Order No. 98-239, in docket UD 5, dated June 12, 1998.

⁴ The Company's petition to price list its Advantage, Call Manager, Sprint Essentials, In Touch With Call Forward, and Sprint Elite packaged services was granted by the Commission in Docket UD 12. See Order No. 99-662, in docket UD 12, dated October 26, 1999.

While the filing, OR02-16, was properly filed pursuant to the filing requirements for price list revisions, as required by Oregon Administrative Rule (OAR) 860-032-0035 (11), the rate increases implemented with the filing are so substantial as to cause staff to question whether Sprint's MTS is "subject to competition," the conclusion reached by the Commission in Order No. 98-239.

Oregon Revised Statute (ORS) 756.568, Rescission, suspension and amendment of orders, states in relative part: "The Public Utility Commission may at any time, upon notice to the public utility or telecommunications utility and after opportunity to be heard as provided in ORS 756.500 to 756.610, rescind, suspend or amend any order made by the commission."

Oregon Administrative Rules (OAR) 860-032-0035, Petition to Price List Telecommunications Utility Services, states in relative part: "(10) After notice and investigation, the Commission may amend or revoke an order price listing a service. The Commission may take such an action upon a finding that the circumstances under which the service was price listed no longer exist, or that the public interest requires that the telecommunications utility's authority to price list a service be changed." Paragraph 12 of OAR 860-032-0035 continues: "(12) The Commission may at any time order a telecommunications utility to appear before the Commission and establish that any or all of its price listed service rates or terms and conditions are just and reasonable, nondiscriminatory, and in the public interest. After hearing, the Commission may order the telecommunications utility to change the terms and condition or rates of its price listed services. The telecommunications utility may not thereafter change any terms and conditions or rates of price listed services contrary to the terms of the Commission order without approval by the Commission."

The ability of the Company to initiate such significant rate increases in a "competitive atmosphere" for toll services causes staff to question if the circumstances under which the services were originally price listed continue to exist and whether the public interest might now require that the Company's authority to price list these services be changed.

Additionally, the significance of the rate increases, and the related increase in the Company's annual revenues, raises a question concerning the appropriateness of the current level of the Company's earnings, which have not been reviewed recently.⁵ Staff has formally requested information from the Company concerning its support for these significant rate increases and the effect of the rate increases on the Company's earnings.⁶ At the time of preparation of this

⁵ The most recent review of the Company's earnings level was in Docket UT 120. See Order No. 94-1557, in docket UT 120, dated October 14, 1994.

⁶ Staff Data Request No. 1, dated August 9, 2002 and staff Data Request No. 2, dated August 13, 2002.

memo, staff has not received all of the data requested, but is in the process of reviewing Company responses received to date.

ORS 756.515, Investigations and hearings on commission's own motion; hearings for aggrieved persons, states in relative part: "(1) Whenever the Public Utility Commission believes that any rate may be unreasonable ... or that an investigation of any matter relating to any public utility or telecommunications utility or other person should be made ... the Commission may on motion summarily investigate any such matter, with or without notice."

Increases in price-listed feature package rates made effective August 1, 2002 by the Company's Advice No. OR02-16 are filed pursuant to related statutes and rules. Staff is not recommending further investigation of these rates, except to the extent that the increases contribute to the Company's earnings level.

PROPOSED COMMISSION MOTION:

Open a docket to investigate the Message Toll Service rates of Sprint, the continuation of the Company's authority to price list its Message Toll Services, and the Company's current earnings level.

SPRINT/UNITED TELEPHONE COMPANY OF THE NORTHWEST
 P. L. 101 OR02-16
 Price Increases effective August 1, 2002

Basic Message Telecommunications Service (MTS) rate schedule

Day time (8 AM to 5 PM, Mon. - Fri.)

Mileage	-----INITIAL MINUTE-----			% change	-----ADDITIONAL MINUTE-----			% change
	Old	New	Change		Old	New	Change	
	\$ 0.13	\$ 0.15	\$ 0.02	15.4%	\$ 0.10	\$ 0.15	\$ 0.05	50.0%
11-22 miles	\$ 0.17	\$ 0.17	\$ -	0.0%	\$ 0.15	\$ 0.17	\$ 0.02	13.3%
23-55 miles	\$ 0.21	\$ 0.20	\$ (0.01)	-4.8%	\$ 0.17	\$ 0.20	\$ 0.03	17.6%
56-124 miles	\$ 0.23	\$ 0.23	\$ -	0.0%	\$ 0.20	\$ 0.23	\$ 0.03	15.0%
125+ miles	\$ 0.25	\$ 0.25	\$ -	0.0%	\$ 0.21	\$ 0.25	\$ 0.04	19.0%

Evening (5 PM to 11 PM, Mon. - Fri. and Sun)

Mileage	-----INITIAL MINUTE-----			% change	-----ADDITIONAL MINUTE-----			% change
	Old	New	Change		Old	New	Change	
0-10 miles	\$ 0.0975	\$ 0.10	\$ 0.0025	2.6%	\$ 0.0750	\$ 0.10	\$ 0.0250	33.3%
11-22 miles	\$ 0.1275	\$ 0.13	\$ 0.0025	2.0%	\$ 0.1125	\$ 0.13	\$ 0.0175	15.6%
23-55 miles	\$ 0.1575	\$ 0.17	\$ 0.0125	7.9%	\$ 0.1275	\$ 0.17	\$ 0.0425	33.3%
56-124 miles	\$ 0.1725	\$ 0.21	\$ 0.0375	21.7%	\$ 0.1500	\$ 0.21	\$ 0.0600	40.0%
125+ miles	\$ 0.1875	\$ 0.23	\$ 0.0425	22.7%	\$ 0.1575	\$ 0.23	\$ 0.0725	46.0%

Night and Weekend (11 PM to 8 AM all week, plus all Sat. plus "day" and "Night" Sun.)

Mileage	-----INITIAL MINUTE-----			% change	-----ADDITIONAL MINUTE-----			% change
	Old	New	Change		Old	New	Change	
0-10 miles	\$ 0.0650	\$ 0.08	\$ 0.0150	23.1%	\$ 0.0500	\$ 0.08	\$ 0.0300	60.0%
11-22 miles	\$ 0.0850	\$ 0.10	\$ 0.0150	17.6%	\$ 0.0750	\$ 0.10	\$ 0.0250	33.3%
23-55 miles	\$ 0.1050	\$ 0.13	\$ 0.0250	23.8%	\$ 0.0850	\$ 0.13	\$ 0.0450	52.9%
56-124 miles	\$ 0.1150	\$ 0.15	\$ 0.0350	30.4%	\$ 0.1000	\$ 0.15	\$ 0.0500	50.0%
125+ miles	\$ 0.1250	\$ 0.17	\$ 0.0450	36.0%	\$ 0.1050	\$ 0.17	\$ 0.0650	61.9%

Calling Card and Operator Assisted Charges

	Old	New	Change	% change
Customer Dialed Credit Card	\$ 0.50	\$ 1.00	\$ 0.50	100.0%
Special Billing Number	\$ 0.50	\$ 1.00	\$ 0.50	100.0%
Operator-Assisted Station-to-Station	\$ 1.30	\$ 2.50	\$ 1.20	92.3%
Operator-Assisted Person-to-Person	\$ 3.00	\$ 4.00	\$ 1.00	33.3%

Sprint Sense Local Toll

	Old	New	Change	% change
Peak (7 AM to 7 PM, Mon. -Fri.)	\$ 0.10	\$ 0.15	\$ 0.05	50.0%
Off Peak (7 PM to 7AM, Mon. - Fri.plus all Sat., Sun. and holidays)	\$ 0.10	\$ 0.15	\$ 0.05	50.0%

Custom Calling/Expresstouch Service Feature Packages

	Old	New	Change	% change
Advantage	\$ 11.00	\$ 13.00	\$ 2.00	18.2%
Call Manager	\$ 10.00	\$ 12.00	\$ 2.00	20.0%
Sprint Essentials	\$ 13.00	\$ 15.00	\$ 2.00	15.4%
In Touch With Call Forward	\$ 5.00	\$ 7.00	\$ 2.00	40.0%
Sprint Elite	\$ 15.00	\$ 17.00	\$ 2.00	13.3%