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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1052

In the Matter of the)	
)	
ROGUE RIVER TELEPHONE EXCHANGE)	ORDER
)	
Petition for Extended Area Service to the Gold Hill,)	
Central Point, and Medford Telephone Exchanges.)	

DISPOSITION: EAS TARIFFS APPROVED; PETITION GRANTED.

On May 16, 2002, the customers of the Rogue River telephone exchange petitioned the Commission for extended area service (EAS) to the Gold Hill, Central Point, and Medford telephone exchanges. All four exchanges are served by Qwest Corporation (Qwest). Following a hearing held on June 10, 2002, the Commission found that a community of interest exists between the four telephone exchanges and concluded that the petition should proceed to a rate and cost investigation.¹

On October 15, 2002, Qwest filed proposed rates and cost studies for the EAS routes. Following a review of the filing, the Commission Staff (Staff) and Qwest entered a stipulation. The stipulation is attached as Appendix A.

On January 8, 2003, Michael Grant, an Administrative Law Judge for the Commission, held a public comment hearing on this matter in Rogue River, Oregon. Lance Ball, a member of the Commission Staff, made an informational presentation explaining the rate criteria and the tariff analysis in the docket.

Based on a preponderance of the evidence in this matter, the Commission makes the following:

FINDINGS OF FACT AND CONCLUSIONS

In Order No. 89-815, the Commission adopted ten rate design criteria for EAS conversion:

¹ See Order No. 02-465.

1. Flat EAS rates for unlimited calling;
2. A measured rate option for low-volume customers;
3. A combination of flat local exchange service and a measured EAS;
4. Asymmetrical rates between exchanges to reflect the differences in the number of subscriber lines;
5. A flat rate option that incorporates all available EAS;
6. A residential/business differential under which business customers pay a higher flat rate;
7. The same measured rate for both business and residential customers;
8. Rates that recover EAS costs and make a contribution to common overhead and the cost of the local loop;
9. Rates that first make up revenue shortfall from company-wide EAS rates, then from company-wide local exchange rates; and
10. EAS tariffs that are revenue neutral.

Based on the entire record in this proceeding, the Commission concludes that the EAS routes should be implemented as proposed. The stipulated rates comply or substantially comply with the rate design criteria for EAS conversion and are just and reasonable. Accordingly, the Commission adopts the stipulated rates and other provisions included in the stipulation between Staff and Qwest, subject to the terms of this order.

ADDITIONAL ISSUES

Implementation

Qwest may implement the new EAS routes as soon as it has completed its EAS deployment plans, but must do so no later than May 16, 2003.

Customer Notification

Customer notification is a critical part of any EAS implementation. Customers have the right to receive adequate information in an understandable format so that they can make informed decisions. The minimum requirements adopted by the Commission in Order No. 91-1140, accomplish that goal. The Commission will require Qwest to comply with those requirements, under which it shall, at a minimum, provide its customers the following:

1. Customers shall be permitted to change EAS options for a six-month period following implementation of EAS without incurring a fee for the change in service.
2. A brochure with complete information about the company's EAS options and the rates for each shall be mailed to each customer prior

to the date of implementation of service and once more 90 days after the EAS conversion.

3. The brochure should include:
 - a. The date of the EAS conversion.
 - b. A simple, non-technical explanation of how to calculate which option is to the customer's advantage, including a statement of the "break-even" point, *i.e.*, the number of minutes of EAS calling under measured service that would exceed the company's flat rate.
 - c. A description of at least two methods for choosing the best option: (1) changing service and comparing bills; and (2) keeping a log and estimating minutes of use. A sample log and worksheet should be included.
 - d. The brochure shall notify the customers that service can be changed at no charge for six months from implementation.
 - e. The phone number of the company office that can provide customers with additional assistance or information.
 - f. A map depicting existing EAS exchanges and new exchanges for which EAS will become available.
 - g. An explanation of the "default service." Customers should be informed of the type and cost of the EAS they will receive if they take no action.

It is important to note that the foregoing notification requirements do not apply to exchanges where EAS rates change, but no new EAS is implemented. For such exchanges, the local exchange carriers (LECs) should follow ordinary procedures for notifying customers of rate changes. The LECs are strongly encouraged, however, to provide basic EAS information in these exchanges as well.

Default Service

Customers will have the option of selecting either flat or measured EAS for the applicable interexchange routes. In order to help facilitate EAS implementation, Qwest should provide a "default service" in the event that a customer fails to choose one of the EAS options.

The Commission concludes that customers should be defaulted according to their current EAS. In other words, customers who have flat EAS at the time of conversion should be defaulted to flat rate EAS, while customers who have measured EAS at the time of conversion should be defaulted to measured EAS.

CONCLUSIONS

Based on the record developed in this docket, the Commission concludes that the proposed EAS routes between the Rogue River exchange and the Gold Hill, Central Point, and Medford exchanges are in the public interest. The public comment and testimony on these requests reflect a significant demand for EAS. Demographic evidence establishes that there is a community of interest between the affected exchanges. The proposed EAS rates are in compliance with the Commission’s rate design criteria for EAS conversion. Because the stipulated rates are reasonable and in the public interest, the EAS petition should be granted.

ORDER

IT IS ORDERED that:

1. The petition for Extended Area Service, filed by the Rogue River telephone exchange, is granted.
2. The stipulation entered between Staff and Qwest, as set forth in Appendix A, is adopted.
3. Qwest may implement the EAS routes as soon as it completes its deployment plans, but must do so no later than by May 16, 2003.
4. Qwest shall, at a minimum, provide its customers with notification of new EAS as described above.

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

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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.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

2002 Extended Area Service Docket Phase II

In the Matter of a Petition for Extended Area Service by the Following Telephone Exchange: Rogue River (UM 1052)) STIPULATION BETWEEN) QWEST AND STAFF

Qwest and the Public Utility Commission of Oregon Staff ("Staff"), after having conducted extensive discovery and exchanges of information, stipulate and agree to the following:

1. To a cost recovery amount of \$195,707 as set forth at Line E.4 in Exhibit 1 to this stipulation.

2. To a \$195,659 increase in annual EAS revenues as set forth at Line F.1 in Exhibit 1 to this stipulation.

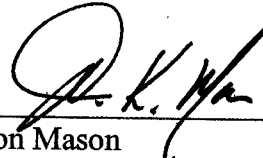
3. To the rates, terms and conditions as set forth in Advice No. 1920, Supplement No. 1, filed on November 7, 2002. Supplement No. 1 shall implement the rate design to this stipulation effective with the new EAS route conversions.

Both parties reserve the right to re-examine Provisions 1 through 3 of this stipulation should any of the routes in docket UM 1052 in this proceeding not be approved by the Commission. In making this agreement, neither party to this stipulation takes a position on whether the EAS routes at issue in the docket that comprises this proceeding should be approved.

APPENDIX A PAGE 1 OF 4

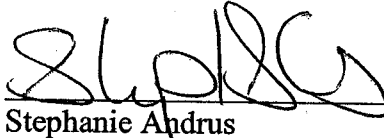
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DATED this 21st day of November, 2002.



Don Mason
Oregon Regulatory Director for Qwest

DATED this 18th day of November, 2002.



Stephanie Andrus
Assistant Attorney General
Of Attorneys for PUC Staff

Qwest

Summary of Impact
of 2003 EAS Conversions

UM 1052

Staff

		Staff
A.	Network Costs	\$24,353
B.	Billed Access Revenue Loss:	
	1 Access Revenue from Dial Around MOU	\$35,336
C.	Billed Orig. Toll Revenue Loss:	
	1 Originating Toll Revenue - Qwest	\$144,229
	2 Originating Toll Revenue - Ind. Cos.	\$0
D.	Access Expense Savings:	
	1 Access Payments to OECA (OCAF)	\$8,211
E.	Cost Recovery Requirement for EAS:	
	1 Network Costs (L. A)	\$24,353
	2 Revenue Loss from Access & Toll (L. B1+C1&2)	\$179,565
	3 Less Access Expense Savings (L. D1)	(\$8,211)
	4 Net EAS Requirement	\$195,707
F.	EAS Criterion 10: Net Neutrality	
	1 Proposed EAS Revenue	\$195,659
	2 Net EAS Recovery Requirement (L. E4)	\$195,707
	3 Surplus or (Deficiency) (L. F1-F2)	(\$48)

Extended Area Service (EAS)**Monthly Flat EAS Rates**

<u>Exchange</u>	<u>Current</u>		<u>Proposed</u>	
	Residence	Business	Residence	Business
Central Point	\$2.02	\$3.03	\$2.03	\$3.05
Gold Hill	\$2.02	\$3.03	\$2.03	\$3.05
Medford	\$2.02	\$3.03	\$2.03	\$3.05
Rogue River	\$1.28	\$1.95	\$2.03	\$3.05

(Rate increases are shown in bold type.)

Exchanges listed are those scheduled to receive new EAS no later than 05/16/03 if approved by the Commission.

The Rogue River exchange EAS rate increases result from moving Rogue River from EAS Rate Band A to EAS Rate Band B. The Central Point, Gold Hill, and Medford exchange EAS rate increases result from a re-price of EAS Rate Band B. The Rogue River exchange is affected by the re-price of EAS Rate Band B as well.

The Albany, Ashland, Blue River, Camp Sherman, Cottage Grove, Culver, Dallas, Falls City, Independence-Monmouth, Harrisburg, Jacksonville, Junction City, Lapine, Leaburg, Lowell, Madras, Marcola, Oakridge, Phoenix-Talent, Portland, Prineville, Redmond, Sisters, and Veneta exchanges are all EAS Rate Band B exchanges and will experience rate increases due to the re-price of EAS Rate Band B. EAS Rate Band B customers currently pay \$2.02 for residential and \$3.03 for business EAS. EAS Rate Band B will increase to \$2.03 for residential and \$3.05 for business EAS, increases of \$0.01 and \$0.02 per month respectively for residential and business EAS.

The company does not propose to change local rates.

Extended Area Service (EAS)**Measured EAS Rates****Current ***

\$0.04 per minute

Off-peak discount: 50% evening, night, weekend

- Qwest proposes to retain its current measured EAS rates.