

ORDER NO. 04-093

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 916, UM 1061, UM 1075, UM 1076

In the Matter of EXTENDED AREA)
SERVICE) ORDER

DISPOSITION: PROPOSED MATRIX APPROVED

As part of its filing of proposed rates in UM 1061, United Telephone Company of the Northwest dba Sprint (Sprint) filed a proposed change in its matrix for calculating extended area service (EAS) rates. This change will also impact EAS dockets UM 1075, UM 1076, and UM 916, as well as a number of exchanges statewide. For this reason, the issue was separated from the main UM 1061 schedule for consideration.

PROCEDURAL BACKGROUND

Sprint's filing on October 30, 2003, included proposed EAS rates and a proposal to use a new matrix to calculate EAS rates for every exchange Sprint serves in Oregon. If the new EAS matrix is implemented without any new routes, 35,657 customers in nine exchanges will see an increase in EAS rates;¹ 38,765 customers in 18 exchanges will see a decrease in EAS rates. At a January 22, 2004, conference call in UM 1061, a schedule was set for a parallel proceeding to resolve this issue. David Sloan, a member of the Commission Staff (Staff) submitted testimony on February 6, 2004. Sprint put notices in newspapers to solicit public comment from exchanges that would see an increase in rates solely due to the matrix change, a method of public notice similar to that used for tariff filings. See OAR 860-022-0017(2). Those notices were published in the Hood River News for Cascade Locks on February 4, 2004; the Upper Rogue Independent for Prospect on February 3, 2004; the Lincoln City Newsguard for Lincoln City on February 4, 2004;

¹ Some of the total increase in Sprint EAS rates will be attributable to new EAS routes that will be implemented at the same time the new matrix will go into effect. Nine exchanges will see an increase due solely to the change in the EAS matrix: Butte Falls, Cascade Locks, Crater Lake, Lincoln City, Rockaway, Prospect, Shady Cove, Tillamook, and White City. The Commission did not direct Sprint to notify customers in Butte Falls, Shady Cove, and White City because they already received notice of a potential rate increase under the new matrix and implementing new EAS routes in UM 1061, and a majority of customers in those exchanges that returned ballots indicated approval of the new rates and routes.

and the Tillamook Headlight Herald for Tillamook and Rockaway Beach on February 4, 2004. Customers in Crater Lake received notice by a direct mailer. The notice indicated how to submit public comment until the comment period closed on February 18, 2004.

In its October 30, 2003, filing of rates in UM 1061, Sprint described its proposed matrix:

The new matrix applies EAS rates on an access line basis, rather than a usage basis. An access line approach is more consistent with the Commission's EAS rate guidelines in Order No. 89-815, which calls for rates to be asymmetrical between exchanges to reflect differences in the number of subscriber lines. It also mitigates the rate increases associated with the new routes.

On January 28, 2004, Sprint filed revised tariff sheets including the proposed matrix change, to become effective October 2, 2004.

Staff testimony described Sprint's current matrix as assigning a certain value to every EAS route depending on the minutes of usage (MOU) per month. The MOU methodology, which imposes a charge for every EAS route regardless of actual usage, produces very high cumulative EAS rates when applied to the proposed Southern Oregon EAS Region. For instance, Butte Falls currently has two EAS routes— Medford, \$3.85; and White City, \$3.00 – for a total residential EAS cost of \$6.85 flat rate per month based on MOU on each of those routes. If Butte Falls were to join the Region as is currently proposed, its customers would pay charges to each exchange based on MOU, including 50¢ per exchange where there are few calls. Under that matrix, Butte Falls customers would pay \$5.00 per month for ten EAS routes that have a total of less than eight MOU's per line, per month. Butte Falls customers would pay at least \$14.35 for flat rate residential EAS to join the Region under Sprint's current matrix. EAS rates currently range from \$1.40 to \$13.43 for residential lines and \$2.30 to \$24.00 for business lines.

The new matrix is based on the number of EAS access lines available to a customer without incurring a toll charge. Three bands will be established: in Band A, a customer can have access to up to 11,000 lines and pay \$1.89 for residential EAS; in Band B, a customer can have access to between 11,001 and 35,000 lines and pay \$3.68 for residential EAS; and in Band C, a customer can have access to more than 35,000 lines and pay \$8.56 for residential EAS.² Rates will range from \$3.12 to \$14.12 for business customers and will be filed with Sprint's tariff. The band system for calculating EAS rates is very similar to that used by Qwest and CenturyTel; the only variations stem from the difference in the number of Oregon customers served by each company.

Staff pointed out that Sprint's proposed matrix has roots in Commission Order No. 89-915, which expressed Commission policy preference for asymmetrical rates between

²These rates were calculated before adding proposed EAS routes expected to be implemented in 2004.

exchanges. Under that policy, the EAS rate is based on how many access lines a customer can call without toll charges. Sprint's proposed matrix would properly charge the same EAS rates to customers in different exchanges who have the ability to call similar numbers of customers without paying toll charges.

In this case, Staff notes that currently, Prospect, Shady Cove, Butte Falls, and White City have access to about the same number of access lines. However, EAS charges range from \$3.20 for Prospect to \$8.45 for White City. Under existing Commission policy, each exchange should pay a similar amount for access to a similar number of lines. For these reasons, Staff supported adoption of Sprint's proposed matrix.

The Commission received no public comment on Sprint's proposal.

APPLICABLE LAW

In the order designating the Portland EAS Region, the Commission set out several criteria for EAS rates, including asymmetrical rates:

EAS costs are more equitably shared if EAS customers in a relatively small peripheral exchange are charged a higher rate than those in a large core exchange. As a general rule calling volume between exchanges attains a roughly equal balance between inbound and outbound traffic. As a result, the costs of EAS for each exchange are also roughly equal. The peripheral exchange, because it spreads the cost over fewer customers, will have higher EAS rates, while the core exchange will have lower rates because the same cost is spread over more customers. A single EAS rate for both exchanges would result in significantly imbalanced cost support.

* * * * *

EAS rates should be asymmetrical between exchanges to reflect differences in the number of subscriber lines.

Order No. 89-815 at 20-21. That criterion has been examined in subsequent EAS dockets to ensure that costs were fairly distributed among customers in different size exchanges. *See* Order No. 01-328 at 4; Order No. 99-409 at 6.

CONCLUSIONS

We agree with Staff's position in support of Sprint's proposed matrix. The old matrix was unique among telephone companies that provide EAS and it led to inequities between rates paid by customers in similarly situated exchanges. The new matrix eliminates

these inequities by charging customers based on the number of EAS lines available to them. Under the new matrix, customers in similarly situated exchanges will pay the same amount.

Further, we adhere to our policy of using asymmetrical rates for EAS charges, as stated in Order No. 89-815. Sprint's proposed matrix is more closely aligned with that policy. Now, charges will be based on access lines available for calling and not historical calling data. EAS rates will be more even across exchanges for EAS service; instead of very low rates in some areas and extremely high rates in other areas, customers in every area will pay a more moderate rate. Finally, Sprint's proposed matrix matches the EAS rate calculations used by other telephone companies in Oregon. For these reasons, we approve Sprint's proposed matrix.

ORDER

IT IS ORDERED that:

1. Sprint's proposed alterations to its tariff relating to the new matrix are approved; and
2. Sprint shall use the new matrix in calculating EAS rates beginning October 2, 2004.

Made, entered, and effective _____.

Lee Beyer
Chairman

John Savage
Commissioner

Ray Baum
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.