

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 30, 2018

REGULAR _____ CONSENT X EFFECTIVE DATE January 31, 2018

DATE: January 17, 2018

TO: Public Utility Commission

FROM: Malia Brock MB

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck
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SUBJECT: UNITED TELEPHONE COMPANY OF THE NORTHWEST:
(Docket No. ADV 693/Advice No. 17-03) Establishes new Emergency Line Service for residential customers.

STAFF RECOMMENDATION:

Staff recommends that the Commission allow United Advice No. 17-03 to go into effect on January 31, 2018, with the following conditions:

- (1) All regulated telecommunication service included in Emergency Line Service (including Outbound Call Block) shall remain separately available for purchase in United's tariff or price list.
- (2) The Emergency Line Service price shall not exceed the sum of the retail prices of flat rate basic local exchange service and Outbound Call Block.

DISCUSSION:

Issue

Whether the Commission should approve United Telephone Company of the Northwest's (United or Company) proposed Tariff, which introduces Emergency Line Service for residential customers.

Applicable Rule or Law

Telecommunications utilities are required under ORS 759.175 to submit tariff filings to the Commission whenever they intend to change their rates, terms, or conditions of

service. Section P of United's Price Plan requires tariff filings to be made at least thirty days prior to their effective dates.

United's Price Plan was established by the Commission in its Order No. 14-347 in Docket UM 1686, as allowed by ORS 759.255. Under ORS 759.255(4), the rates for regulated services offered through price plans must cover the cost of service.

The Price Plan imposes different requirements for services depending on whether they qualify under the Price Plan as a "new service." It defines "new service" as "a retail telecommunications service that is offered in Oregon for the first time" after the Price Plan took effect in 2014. "A service is not a new service if it merely renames, repackages, or is a variation of an existing service, or if it is reintroduced in essentially the same form after having been provided for free, withdrawn or abandoned."

Section B of United's Price Plan sets forth various rules governing the pricing and availability of services, including setting price caps for some services. New services, as defined by the Price Plan, are not subject to price caps.

Special requirements also apply to packages and bundles of services, which the Price Plan defines as "any combination of services which may include primary line residential or primary line business service as well as other services at a combined price."

Section O of the Price Plan requires that any regulated telecommunications services included in a bundle be separately available for purchase and prohibits the price of a bundle from exceeding the sum of the retail prices of all services included in the bundle.

Analysis

United's proposed Emergency Line Service offers customers an emergency residential access line with unlimited incoming calls, but outgoing calls are restricted to allow only calls dialed to 711 and 911. The filing was submitted on December 21, 2017. The filing becomes effective January 31, 2018, and thus complies with the requirement that it be filed at least thirty days prior to its effective date.

Classification of the Service

Although the company uses the word "new" in its filing, Emergency Line Service does not meet the Price Plan's definition of a "new service" because it renames and repackages the following existing services: the basic flat rate exchange access line and the price-listed outbound call block calling feature. Emergency Line Service offers these services in essentially in the same form as they have been and are offered now. As the Company itself states in its filing, emergency line service "offers the same functionality that was previously available as a combination of basic local exchange

service and the Outbound Call Block calling feature.” The Company further explains that the outgoing call block feature is “inherent” in Emergency Line Service.

Because Emergency Line Service does not meet the definition of “new service” under United’s Price Plan, it should not be regulated under the terms of the Price Plan that govern new services. Emergency Line Service should therefore comply with the Price Plan’s other pricing and availability rules.

Emergency Line Service is a bundle because it combines the existing basic local exchange service and the Outbound Call Block feature at a combined price. It must therefore comply with the Price Plan’s requirements that each bundled service remain separately available and the bundled price may not exceed the sum of all of its parts.

Terms of the Service

The new Emergency Line Service is offered at a higher rate than the current basic flat rate exchange access line charge service, but is more economical at the proposed rate than the combination of that service and the Outbound Call Block feature. The bundle will be a simple and economical option for customers who wish to restrict outgoing local and toll calls.

The proposed monthly rate for residential Emergency Line Service is \$18.50 per line. The current monthly rate for a flat rate basic exchange access line is \$16.43; the current monthly rate for Outbound Call Block is \$5.00.

The rate for Emergency Line Service is not more than the sum of the component services that Staff understands to be bundled in the offering and therefore currently satisfies Section O.2 of the Price Plan. The Price Plan requires this to remain true going forward.

So long as flat rate basic exchange access service and Outbound Call Block feature remain separately available for purchase in United’s tariff and/or price list, Emergency Line Service will also satisfy Section O.1 of the Price Plan. United recently proposed to grandfather Outbound Call Block (Docket No. PL 83); this request is inconsistent with the Price Plan. Without the recommended condition to continue complying with Section O of the Price Plan, the filing would not include appropriate protections (here, price caps for the component services and the sum-of-the-parts bundle pricing rule); over the long term, the absence of these protections would risk vulnerable Emergency Line Service subscribers being subject to uncontrolled future price increases. Staff considers these protections salient for some who are likely to subscribe to Emergency Line Service, who need affordable outbound emergency calling and inbound calling (such as for medical monitoring).

Conclusion

Staff has reviewed the filing and supporting information and determined that the proposed rates cover the cost of the bundled service and therefore satisfies ORS 759.255(4). This filing will have a negligible effect on annual revenues and, with the recommended conditions, will comport with the related Oregon statutes and United's Price Plan. The filing should therefore be allowed to go into effect only with the proposed conditions.

PROPOSED COMMISSION MOTION:

Allow United Advice No. 17-03 to go into effect on January 31, 2018, with the following conditions:

- (1) All regulated telecommunication service included in Emergency Line Service (including Outbound Call Block) shall remain separately available for purchase in United's tariff or price list.
- (2) The Emergency Line Service bundle price shall not exceed the sum of the retail prices of flat rate basic local exchange service and Outbound Call Block.