March 1, 2013

Re: Aging State Phone Systems and Necessary Next Steps

Dear Enterprise Technology Services (ETS) Customers,

Most of the state’s phone system and supporting infrastructure are aged between 20 and 40 years old. It is one of the areas where consistent replacement and upgrading of equipment has not occurred. Difficult decisions made during the resource constraints of past biennia prevented maintenance/replacement costs from being included in the phone rates being charged by DAS.

Due to the age of this equipment, many of you are experiencing more and more phone failures or outages. Some agencies have lost complete phone services for a couple of weeks. This issue is of urgent concern to both DAS and the ETS Customer Utility Board (CUB) on behalf of ETS customers. The CUB is made up of representatives from all different sizes of agencies, their focus is to establish ETS services and rates and also to resolve service issues that impact ETS customers. In order to overcome the current phone service issues, the CUB has made some very difficult decisions regarding rates which will affect all ETS customers.

The ETS CUB discussed three distinct aspects of customers’ aging infrastructure and made the following decisions on behalf of ETS customers:

Aspect 1

Emergency equipment reserves for phone failures have been depleted faster than anticipated and agencies’ older phone systems have begun to fail at an increasingly rapid rate. During a recent failure of phones at DEQ, it took three weeks—using an expedited process—to obtain and install replacements.

DAS/ETS has enough limitation and cash to replenish the phone reserve parts to support up to 400 users and the order has been placed. ETS will continue to service phones that fail as part of normal operations and support.

The question for the ETS CUB was how to continually replenish the reserve as phones and parts are used.

The CUB made the following rate decisions:

1. Increase rates by $2.50 per handset, per month for all customers until the end of the biennium (five months), with DAS coordinating limitation appropriation, if necessary. The rate increase is required to obtain the needed revenue to fund continual replenishment of the reserve (up to 400 devices). This increase is for remainder of this biennium only.

2. Beginning July 1, 2013 remove the additional $2.50 rate above and adjust the rate in future biennia by 10 cents per handset per month to reestablish funds to maintain the emergency pool of phones.

Aspect 2

Other phone services and supporting infrastructure are running on extremely old or limited equipment in which failure would cause significant state service outages.

The main question for the ETS CUB related to this aspect was whether any of the “most at-risk” site owners (200 have been identified), want to immediately convert to VoIP (the new updated phone technology) and avoid the risk of phone system failure.
The ETS CUB decided to follow DAS' past practice for customers with unplanned projects that are not covered in the rates. Following that practice, ETS will bill customers for the cost to install VoIP phone service (equipment, construction, wiring, time and materials) if a customer chooses to upgrade before a catastrophic failure occurs. This allows customers to assess their risk and decide if they want to move forward with a VoIP conversion in this biennium. ETS is contacting customers most at risk.

Furthermore, in order to improve telephone system supportability and reliability in the future, the ETS CUB is reviewing ETS' service delivery model to include the possibility of outsourcing phone system management to a qualified vendor. To assist the ETS CUB with future decision-making regarding moving voice services to a fully vendor-managed contract, ETS will work to gather information from third party experts.

Aspect 3

In addition to voice infrastructure needs, customers are requesting urgent upgrades, office moves and critical new services that the current ETS budget limitation and rate cannot support. As with all DAS rates, ETS rates are developed 20 months ahead of actual usage, and customer needs can change. Some customers have requested exclusion from using ETS because these funding issues do not enable them to buy from ETS in a timely manner.

The main question here is what options exist to address the limitation issue so that customers can obtain critical upgrades or new services from ETS effectively. The CUB decided the following:

1. The normal process for billing agencies for additional, unplanned critical upgrade services would accommodate most issues.
2. This solution requires that customers understand they are being billed for an upgrade or new service and are not directly paying for or buying equipment that may cause federal funding or A87 issues.
3. ETS will seek limitation approval.
4. The CUB will adjust rates in future biennia to accommodate the addition of new or upgraded services that require funding for ongoing operations.

If you have any questions about the ETS CUB's decisions and the implications for your organization, please do not hesitate to speak with Sarah Jo Chaplen, DAS Deputy Director (503) 378-4691 or Julie Bozzi, ETS Administrator (503) 378-4578.

Sincerely,

Sarah Jo Chaplen  Suzanne Hoffman  Jeffrey M. Marecic  
DAS Deputy Director          ETS CUB Chair          ETS CUB Vice-Chair

Enclosures:
1. Most at risk phonesystems (.pdf)
2. Voice Services by Customer (.pdf)