

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 23, 2002**

REGULAR **CONSENT** **EFFECTIVE DATE** August 1, 2002

DATE: July 15, 2002

TO: John Savage through Phil Nyegaard and Lance Ball

FROM: David Sloan

SUBJECT: VERIZON NORTHWEST, INC.: (Advice No. 788) Satisfies merger requirement that former GTE and Bell Atlantic provide channels in the same way.

STAFF RECOMMENDATION:

Staff recommends the filing be allowed to go into effect.

DISCUSSION:

On June 21, 2002, Verizon Northwest, Inc. (the Company) filed Advice No. 788 proposing changes in its tariff PUC OR. 18. The filing decreases various rate elements for ControlLink® Digital Channel Service. The effective date is August 1, 2002.

ControlLink® Digital Channel Service (DCS) is an intraexchange multifunctional digital channel service which provides access transport between the customer's premises and the serving central office over a single high-capacity digital facility on a channelized basis. DCS is provided in capacity increments of 24 digital channels (DSOs) over a single DS1 facility.

Merger requirements between former GTE and former Bell Atlantic include a provision to provide similar services in the same way resulting in equitable treatment for all customers throughout Verizon's service territory. In the Company's audit of its services, it discovered a difference in the method GTE and Bell Atlantic billed monthly recurring charges for voice channels on a twenty-four-channel DCS facility. The proposed rate reductions for DCS are an effort to minimize the total billing impact to the former GTE's existing customers.

I have reviewed the revenue projection filed by the Company. Although the projected net annualized revenue effect of the filing is a decrease of \$181,910, the reduced monthly rate for DCS still exceeds the Company's cost of providing the service.

The following chart illustrates the proposed rate reductions in DCS:

Digital Channel Capacity - Per System Rate Reductions - Advice No. 788				
	Month-to- Month	36-Month Contract	60-Month Contract	84-Month Contract
<u>Initial:</u>				
- 24 Digital Channels - current	\$ 370.00	\$ 210.00	\$ 185.00	\$ 170.00
- 24 Digital Channels - proposed	\$ 330.00	\$ 170.00	\$ 140.00	\$ 125.00
Increase/(Decrease)	\$ (40.00)	\$ (40.00)	\$ (45.00)	\$ (45.00)
Percentage	-10.8%	-19.0%	-24.3%	-26.5%
<u>Each Additional:</u>				
- 24 Digital Channels - current	\$ 350.00	190.00	165.00	150.00
- 24 Digital Channels - proposed	\$ 330.00	170.00	140.00	125.00
Increase/(Decrease)	\$ (20.00)	\$ (20.00)	\$ (25.00)	\$ (25.00)
Percentage	-5.7%	-10.5%	-15.2%	-16.7%
- 671 Digital Channels - current	\$ 3,500.00	2,500.00	2,350.00	2,300.00
- 672 Digital Channels - proposed	\$ 3,200.00	2,200.00	2,050.00	1,950.00
Increase/(Decrease)	\$ (300.00)	\$ (300.00)	\$ (300.00)	\$ (350.00)
Percentage	-8.6%	-12.0%	-12.8%	-15.2%

Additionally, the filing proposes reductions in monthly service activation charges. Analog Service (Exchange Line/Trunk) Service Activation is reduced from \$6.00 to \$3.75 per month, per line. CentraNet® Station Line Service activation is reduced from \$8.00 to \$6.00 per month, per line for less than 100 lines, and from \$6.50 to \$5.75 per month, per line for 100 lines or more. FX Line (Intrastate Feature Group A of the Access Tariff) Service Activation for Off Premises Extension, Private Line, Tie Line or Wide Area Telephone Service is reduced from \$24.00 to \$20.00 per month, per line.

The filing is in compliance with Oregon Revised Statute (ORS) 759.190, which requires the Company to give a 30-day notice to the Public Utilities Commission for any change made to its tariff schedules. The filing is consistent with OAR 860-022-0025, which permits a utility to make tariff changes and establishes the type of information a utility must submit with a tariff filing. The filing is not contrary to the public interest.

PROPOSED COMMISSION MOTION:

The tariff sheets filed with Verizon Northwest, Inc.'s Advice No. 788 be allowed to go into effect for service rendered on or after August 1, 2002.