

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 13, 2003

REGULAR _____ CONSENT x EFFECTIVE DATE May 21, 2003

DATE: May 5, 2003

TO: John Savage through Phil Nyegaard and Cynthia Van Landuyt

FROM: Roger White

SUBJECT: VERIZON NORTHWEST INC.: (Advice No. 806) Introduces a standardized Frame Relay Service for services at speeds greater than DS1, but less than DS3.

STAFF RECOMMENDATION:

Staff recommends the Commission allow the filing, effective May 21, 2003, to go into effect.

DISCUSSION:

Background:

On March 28, 2003, Verizon Northwest Inc. (Verizon) filed Advice No. 806 in P.U.C. OR. No. 12 to be effective May 7, 2003. On April 18, 2003, Verizon requested that the effective date be extended to May 21 to allow more time for review. The filing was made under ORS 759.175, *Filing rate schedules and data with commission*. The purpose of the filing is to limit the present Access Frame Relay tariff offering to existing customers at existing locations and to introduce a new, standardized set of Frame Relay services.

Under Rule 860-032-0020 Verizon's proposed treatment of its Access Frame Relay service offering is not considered abandonment of the service and therefore no petition is required. Verizon is proposing to continue to offer the service to existing customers at existing sites, to place no limits on the length of time existing customers can keep the service, and to provide an equal or higher quality alternative service. Every page in the revised P.U.C. OR. No.12 that contains a reference to the grandfathered service has a footnote indicating that the service is limited to existing customers and locations. The grandfathered Frame Relay service currently has 222 customers.

Frame Relay service is a high-speed transmission technology that provides a flexible alternative to dedicated private lines. This packet switching service provides high-speed

networks that have flexible bandwidth, high performance transport, and switching that allows widely distributed customer locations to be tied together.

The enhanced Frame Relay service being introduced with this advice will have options that will allow transmission speeds up to 22 Megabits per second. The current service only allows 1.544 Megabit per second.

The new service offering will have four general categories of rate elements: User-to-Network Interface (UNI)--Port Only, UNI Port and Access Line, Network-to-Network Interface (NNI)—Port Only, Permanent Virtual Circuits (PVC). The service being replaced had two general categories: UNI—Port Only and PVC. The Ports, UNI and NNI, provide Frame Relay network connections while the PVC provides the electronic equivalent of a private line. The rate elements found under these general categories will be offered, in most cases, on a monthly basis, and on 1-year, 3-year, and 5-year terms.

With a few exceptions, the prices being proposed in this Advice, where comparable services are being offered, are substantially higher than those in the current tariff. However, since existing customers may keep their current service at current rates, there is no issue.

The Company estimates the net annual revenues will increase by approximately \$6.54 Million in the first year. Verizon's reported intrastate earnings are not excessive nor would they be with the additional \$6.54 Million.

Staff Analysis:

Staff reviewed the Frame Relay tariffs from a costing perspective and found the rates to be above their Long Run Incremental Cost, a requirement established in ORS 759.195(4). Staff's general review of the service finds it an enhancement to Verizon's existing service offering.

PROPOSED COMMISSION MOTION:

Verizon Northwest, Inc.'s Advice No. 806 be allowed to go into effect May 21, 2003.