

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 8, 2008**

REGULAR _____ CONSENT X EFFECTIVE DATE July 14, 2008

DATE: June 24, 2008

TO: Public Utility Commission

FROM: Suzanne Smith

THROUGH: Lee Sparling, Dave Booth and Cynthia Van Landuyt

SUBJECT: VERIZON NORTHWEST INC.: (Docket No. UD 18) Petition to Price List Asynchronous Transfer Mode Cell Relay Service and Frame Relay Service.

STAFF RECOMMENDATION:

Staff recommends that the Commission grant the petition effective July 14, 2008, and direct the company to file a price list.

DISCUSSION:

On May 16, 2008, Verizon Northwest, Inc. (Verizon) filed a petition to price list Asynchronous Transfer Mode Cell Relay Service (ATM CRS) and Frame Relay Service (FRS). Both services are currently offered under approved tariffs. Under ORS 759.058, the Commission has 60 days from the filing date to either determine the appropriateness of a petition to price list services or determine that further investigation is necessary. The Commission has until July 14, 2008, to take action on this petition.

Background

Under ORS 759.054(1) and OAR 860-032-0035, the Commission may approve a price list petition if: (1) the services can be demonstrated to be subject to competition or (2) if the service is not an essential product or service. OAR 860-032-0035(6)(c) states that "a service is essential if customers require it to efficiently establish, sustain, or discontinue a telecommunications call by means of the public switched network." In its petition, Verizon states that ATM CRS and FRS are fast-packet data-switched services and are not necessary to provide access to the public switched network and therefore not an essential service. Both services are described in OAR 860-032-0190(4) as

“Services that are not considered basic telephone service.”¹ The services are also not included in the list of essential services as listed in OAR 860-032-0200(6).

ATM CRS is a telecommunications transport and switching service that provides for high-speed connectivity between customer designated locations with speeds ranging from 1.544 Mbps to 622 Mbps.² FRS is a data communications service that provides for data connectivity between/among widely distributed end user locations. This connectivity is provided via private virtual circuit (PVC)³ connections implemented over access facilities using a switch dedicated to high-speed data services. It is a transport service that facilitates the exchange of variable length information units (frames) between end user connections by way of PVCs. Each frame is passed to the frame relay network with an IP address that specifies the PVC. The circuits are dedicated to a specific customer but provided over a shared network.

Both services are fast-packet switched services that have specific uses for business customers transporting packet data. They utilize the packet data network, a separate and stand alone network that is used solely to transport packets of information. Verizon estimates that it has a relatively small number of customers on these services which further demonstrates their non-essential nature.⁴

Business customers have a number of options with regard to services providing the same or similar functionality as ATM CRS and FRS. For example, customers may use virtual private networks (VPN) for the provision of secure, encrypted connectivity between customer locations. One option is the internet protocol (IP) VPN which utilizes the public IP network for connectivity between customer locations and has varying degrees of security that ensure privacy for all parties.

OAR 860-032-0035(7) states that the rate set for a price listed service shall not be lower than the long-run incremental cost of providing the service. Since ATM CRS and FRS are already offered under approved tariffs, Verizon is proposing no change to existing rates and therefore meets this requirement.

¹ A virtual private network, or VPN, allows a customer to rent or acquire part of another network (usually a telephone company or internet provider) and create their own network out of the host network offering a secure and inexpensive means of communication between locations.

² Mbps stands for million bits per second.

³ A PVC is a permanent association between 2 pieces of network equipment. It is the circuit from end to end in a frame-relay network.

⁴ In UX29 Qwest petitioned to deregulate several of its switched business services including ATM and FRS. In Commission Order No. 06-399, pursuant to ORS 759.052(1), Frame Relay and Asynchronous Transfer Mode services were deregulated in all rate centers. The order also states that these services “have very few lines under the state tariff and are available under federal tariffs; the public interest no longer requires state regulation.”

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Pursuant to OAR 860-032-0035(12), the Commission may at any time review a telecommunications utility's price-listed services and, after hearing, order the utility to change the rates, terms or conditions of its price-listed services.

Staff recommends that the Commission allow the filing to go into effect July 14, 2008.

PROPOSED COMMISSION MOTION:

Verizon's petition to price list Asynchronous Transfer Mode Cell Relay Service and Frame Relay Service be granted effective July 14, 2008, and the company be directed to file a price list.