

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of	)	
	)	
GTE CORPORATION and BELL	)	DOCKET NO. UT-981367
ATLANTIC CORPORATION	)	
	)	
for an Order Disclaiming Jurisdiction	)	
or, in the Alternative, Approving the	)	
GTE CORPORATION-BELL	)	
ATLANTIC CORPORATION MERGER	)	
	)	
	)	
WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	DOCKET NO. UT-990672
	)	
Petitioner,	)	
	)	
v.	)	
	)	
GTE NORTHWEST INCORPORATED	)	
	)	
Respondent.	)	
	)	
INFORMAL STAFF INVESTIGATION	)	
OF GTE NORTHWEST'S EARNINGS	)	DOCKET NO. UT-991164
AND REVENUE	)	
	)	

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**JOINT MOTION OF  
VERIZON NORTHWEST INC. AND COMMISSION STAFF FOR  
APPROVAL OF PHASE IV RATE DESIGN AND  
EXPEDITED CONSIDERATION**

**April 16, 2000**

Verizon Northwest Inc. and Commission Staff request that the Commission (1) approve the Phase IV rate design described in this Joint Motion and (2) give expedited treatment to this Joint Motion.

## I. INTRODUCTION

1. The moving parties' names and addresses are as follows:

Verizon Northwest Inc.  
1800 Forty-First Street  
Everett, WA 98201

Staff of the Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. SW  
P.O. Box 47250  
Olympia, WA 98504-7250

2. The moving parties bring this Joint Motion based on the Commission's Fourth Supplemental Order in the above-captioned matters.

3. On December 16, 1999, the Commission entered its Fourth Supplemental Order Approving and Adopting Settlement Agreement, Granting Application, Subject to Conditions. That Order approved an omnibus Settlement Agreement (the "Agreement") resolving all three of the above-captioned matters.

4. The Agreement committed Verizon Northwest Inc. ("Verizon") (formerly known as, and referred to in the Agreement as, GTE Northwest Incorporated) to making \$30 million of rate reductions in four phases over two years. The first three phases have been implemented. The final phase ("Phase IV"), totaling \$7 million, is to go into effect on July 1, 2001.

5. In the Agreement, the parties resolved three of the elements of the Phase IV rate design. As to the remainder, the parties agreed to confer in early 2001 and negotiate an appropriate rate design. The Agreement provided a mechanism to be used in the event the parties were not able to reach agreement:

For the changes in this Phase to retail, toll and access rates, GTE will propose a rate design by January 16, 2001. If the parties cannot reach agreement on an appropriate rate design by March 16, 2001, the parties will, by May 1, 2001, submit their respective rate design proposals to the Commission for a decision.

Agreement, page 6.

Using that process, Verizon and Commission Staff ("Staff") have reached agreement, but the Public Counsel section of the Attorney General's Office has not concurred with them on all points. Therefore, Verizon and Staff come before the Commission seeking approval of the agreed rate design described in this Joint Motion.

## **II. VERIZON'S AND STAFF'S PROPOSED RATE DESIGN**

6. The table below summarizes Verizon's and Staff's proposed rate design, and a brief description of each element follows. The specific rate changes are shown in Attachment A to this Joint Petition.

7. The Agreement sets forth several parameters for the Phase IV rate design. Items A, B, and C, below, cover the rate changes already specifically settled in the Agreement. Items D through P cover Verizon's and Staff's proposal for the remainder of the rate design. Public Counsel disputes only items N, O, and P.

	<b>SERVICES and RATES<sup>1</sup></b>	<b>ANNUAL REVENUE IMPACT</b>
A	Business Rate Decreases	(\$1,131,000)
B	Residential Rate Increase (G1)	747,000
C	Business Rate Increase (G1)	383,000
D	EAS Rate Elimination	(\$3,517,000)
E	Community Plus Measured EAS Elimination	(253,000) <sup>2</sup>
F	Rotary Hunt Charge Elimination for Multiline Services	(472,000)
G	LMS Rate Change	(164,000)
H	Expansion of "Basic" Offering to All Exchanges	(34,000)
I	LMS Revenue from "Basic" Offering Expansion	13,000 <sup>3</sup>
J	South Spokane OCP Adder Reduction	(32,000)
K	Pullman/Palouse OCP Adder Elimination	(15,000) <sup>4</sup>
L	Garfield OCP Adder Elimination	(11,000) <sup>4</sup>
M	Residential Key Line Rate Reduction	(1,000)
N	Additional Business Rate Decrease In all Exchanges	(544,000)
O	Net Reduction in Residential Rates	(950,000)
	Total Impact of Proposed Retail Rate Changes	(\$5,981,000)
P	Originating Access Rate Reductions	(\$1,019,000) <sup>5</sup>
	Total Phase IV Reduction	(\$7,000,000)

1 The parenthetical "G1" refers to a Verizon Rate Group.

2 The measured EAS rate is the same as the local measured service rate (LMS).

3 Calculated using the proposed LMS rate (Item G).

4 Does not include lost intraLATA toll revenues.

5 Annual revenue impact covers all originating access minutes for interexchange carriers and Verizon Northwest's intraLATA toll services. Staff agrees that since Verizon's toll service is competitively classified, the company may make toll rate reduction decisions outside of the Phase IV rate design process.

8. **Items A, B, and C - Agreed Local Service Rate Adjustments.** As noted above, these rate changes were settled in the Agreement and have already been approved by the Commission. They include a general reduction to business rates and increases to residential and business rates in Rate Group G1.
9. **Item D - EAS Rate Elimination.** This component of the rate design would eliminate the \$1.90 per month Extended Area Service (EAS) rate adder for all mandatory EAS exchanges in the state. This would also have the effect of eliminating the difference between Verizon's Community Plus and Premium local service offerings.<sup>6</sup> Therefore, Verizon would also eliminate the Community Plus local service offerings (see Item E for the revenue impact), which would further simplify Verizon's local service tariff.
10. **Item E - Elimination of Community Plus Measured EAS Charges.** This Item in the table accounts for the reduction in annual measured EAS revenues due to the elimination of the Community Plus offerings under Item D.
11. **Item F - Rotary Hunt Charge Elimination for Multiline Services.** This item would eliminate the \$1.50 per month Rotary Hunt charge for multiline trunk services.
12. **Item G - Local Measured Service Rate Change.** This element would convert the LMS rate structure to a single \$0.015 per minute rate, twenty-four hours a day, seven days a week. This would further simplify GTE's local service offerings.

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<sup>6</sup> Verizon Northwest currently provides three types of local calling options. "Basic" is local measured service (LMS), including measured EAS. The "Community Plus" offering provides home exchange calling at a flat monthly rate and measured rate EAS. "Premium" provides flat rated home exchange calling and flat rated mandatory EAS. In exchanges in the South Spokane area, "Premium Plus" additionally provides measured or flat rated optional local calling plans (OCPs).

13. **Item H - Expansion of "Basic" Offering to All Exchanges.** Currently, ten Verizon exchanges (Skykomish, Stevens Pass, Clearview, Fairfield, Latah, Oaksdale, Rockford, Tekoa and Rosalia) have only Premium local calling offerings available to them. Verizon would extend the lower priced Basic offering to these exchanges.
14. **Item I - LMS Revenue From "Basic" Offering Expansion.** This item recognizes an increase in LMS revenue from the expanded availability of the Basic local calling offering under Item H.
15. **Item J - South Spokane OCP Adder Reduction.** This element would reduce revenues by implementing a flat rate of \$15.00 for residential customers and \$30.00 for business customers for Verizon's Premium Plus optional local calling plans in exchanges in the South Spokane area.
16. **Item K - Pullman, Palouse OCP Adder Elimination.** This element would eliminate the optional local calling plan adder for these exchanges. As a result, all local service customers in these exchanges would have toll-free calling to the Garfield exchange.
17. **Item L - Garfield OCP Adder Elimination.** This element would eliminate the optional local calling plan adder for the Garfield exchange. All local service customers in this exchange would therefore have toll-free calling to the Pullman and Palouse exchanges.

18. **Item M - Residential Key Line Rate Reduction.** This item would standardize and reduce the line rate for residential key systems. The separate Key Line rate would be eliminated and all these lines would be converted to the lower-priced standard residential services. This change would eliminate current Rate Group differences that are a holdover from former Contel and GTE tariff structures.

19. **Item N - Additional Business Rate Decrease in All Exchanges.** Verizon and Staff propose to reduce business local service rates across the board by an additional \$0.30.

20. **Item O- Net Reduction in Residential Rates.** Verizon and Staff propose that all rate groups be transitioned to statewide uniform residential rates of \$13.00 Premium and \$7.25 Basic. This is consistent with the Commission's action on Qwest's local rate design in Docket UT-950200,<sup>7</sup> and it would address the outdated inverse relationship between Verizon's Rate Group price and cost structures.<sup>8</sup> This would cause a small additional rate increase for some customers in today's lowest-priced rate groups, but for most of those customers the increase would be more than offset by the elimination of EAS and OCP adders. Of those customers in Rate Group G1, only about 22,000 customers, approximately 4% of Verizon's total residential customers in the state, would experience a net increase in local rates. For those few exchanges,<sup>9</sup> Verizon and Staff

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7 15<sup>th</sup> Supplemental Order, at 100.

8 Under the present rate structure, the highest cost exchanges tend to have the lowest rates, and the lowest cost exchanges tend to have the highest rates.

9 Those exchanges are Coupeville, Garfield, George, Moscow, Oak Harbor, Quincy, Rosalia, Skykomish, and Stevens Pass.

propose to defer the \$0.25 rate increase until January 1, 2002. Verizon has agreed to absorb the \$34,000 revenue loss that results from this six month deferral.

21. **Item P - Originating Access Rate Reductions.** This element would eliminate the current Originating Information Surcharge and reduce the Zone 2 and Zone 3 Originating Carrier Common Line Charges.

#### **IV. PUBLIC COUNSEL'S POSITION**

22. In preparing this motion, the moving parties have confirmed with Public Counsel that Public Counsel's disagreement with the moving parties' proposed rate design focuses on the rates for residential local exchange service. Rather than moving to a uniform statewide rate of \$13.00 for Premium service, Public Counsel proposes to maintain a \$12.75 rate for four rate groups (G1, G1A, G2, and C1A) and a \$13.10 rate in the remaining rate groups (G2A, G3, and C1). Public Counsel would fund its proposed residential rates by reducing the business and switched access rate decreases proposed by the moving parties. Public Counsel's disagreement thus focuses on Item N, above, of Staff's and Verizon's proposed rate design, and also affects Items O and P.

23. The rates proposed by the moving parties are just and reasonable, and bring consumers and the company the benefits of a simpler rate design. The rate design advanced by Staff and Verizon move rates in the correct direction related to underlying costs, rather than preserve a structure in which lower cost exchanges tend to have



higher rates, and vice versa. These benefits outweigh Public Counsel's proposed twenty-five cents per month reduction for a subset of customers.

**V. REQUEST FOR EXPEDITED CONSIDERATION AND NOTICE**

24. A number of factors make expedited consideration of this motion necessary if the Company is to implement rate changes on July 1, 2001, as required by the Agreement and the Commission's Order. Verizon and Staff therefore request that Public Counsel be required to submit its Answer to this Motion and state its position in ten calendar days, that Verizon and Staff be granted leave to submit a Reply in five calendar days, and that the Commission thereafter expeditiously consider this Joint Motion.

25. Once the Commission approves the Phase IV rate design, Verizon will make a compliance tariff filing. In order to facilitate a July 1, 2001, effective date, Staff and Verizon anticipate that the Commission will enter an order approving this compliance filing.

26. In order to facilitate making the rate changes effective on July 1, 2001, Verizon and Staff request that the Commission allow Verizon to provide notice to affected customers on the first bill the new charge is applied.

**VI. CONCLUSION: THE RATE DESIGN PROPOSED BY VERIZON AND STAFF SHOULD BE PROMPTLY APPROVED**

27. Verizon and Staff request that the Commission promptly consider this Joint Motion and approve their proposed Phase IV rate design. This rate design includes the

rate changes settled in the Agreement, and it reasonably implements the remainder of the agreed revenue reduction. It provides benefits to a wide range of services and customers, eliminates outdated pricing anomalies, and significantly simplifies the company's offerings. All the proposed changes produce fair, just and reasonable rates, are in the public interest and should be adopted.

Respectfully submitted this 16<sup>th</sup> day of April, 2001.

STOEL RIVES LLP

OFFICE OF THE ATTORNEY GENERAL  
OF THE STATE OF WASHINGTON

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