

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF
RESPONSE TO DATA REQUEST

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REQUESTER: United Tel. Co. of the NW
d/b/a Embarq

WITNESS: Glenn Blackmon

RESPONDER: Glenn Blackmon

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REQUEST NO. 2: Reference Blackmon testimony, page 3: “United also has persisted with a retail rate structure that fails to place primary responsibility for the cost of service on those customers who are actually receiving the service.”

- a. Is it Staff’s position that each customer should have a rate that allows United to recover the cost of serving that customer? If not, why not. If yes, are there any upper bounds on rates that should be in place? What are they and what is the rationale for those upper bounds?
- b. Is it Staff’s position that United should increase retail rates to a level that allows United to recover the cost of service from each customer?

RESPONSE:

- a. No. Dr. Blackmon’s testimony at page 3 does not advocate customer-specific pricing, which is not generally practiced in network industries whether regulated or unregulated. Generally speaking, United should set rates at a service level that reflect the costs of providing that service. Over a range of costs, it is reasonable for rates to reflect the average cost of providing the service. Many companies can operate in a financially sound manner while charging uniform rates for local service. If there is a significant variation in costs within the customer class, it is reasonable to expect those higher-cost customers to bear some portion of the additional cost of providing their service. This pricing structure should be constrained by the need to maintain rates that are affordable and reasonably comparable to rates paid by urban customers. A company should use a universal service mechanism only as necessary to maintain affordable and reasonably comparable rates. Dr. Blackmon’s testimony explains how United has failed to place primarily responsibility on its own customers for the cost of their services.
- b. No. Staff is not advocating customer-specific rates. Staff does, however, believe that United should not collect a universal service rate while charging lower rates in high-cost exchanges than it charges customers in its lower-cost exchanges.