

Agenda Date: December 13, 2006
Item Number: A1

Docket: UT-061298

Company Name: Verizon Northwest Incorporated

Staff: Paula Strain, Telecommunications Expert
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Recommendation

Issue an order bifurcating the petition into two proceedings, one addressing the petition for waiver of the Hussey/Pitsker/Impero/Connan/Vannoy applications for service, and the other pertaining to the Bush application for service, and set both matters for hearing.

Discussion

On August 11, 2006, Verizon Northwest Incorporated (Verizon) submitted a petition for waiver of the commission's extension of service rule¹ for two potential new customers in Okanogan County, one in the company's Molson-Chesaw exchange and the other in Verizon's Tonasket exchange.²

Subsection (2)(a) of the rule requires that, "[s]ervice extensions must be completed within eighteen months after a request is made and the customer makes the initial payment." Subsection (2)(b) also generally requires that, "service is required to occupied premises." However, the commission may determine whether an applicant for service is not reasonably entitled to service and whether the local exchange company is not obligated to provide service to an applicant. Such a determination may be made if the cost of the service extension is found to be unreasonable.

Verizon's original petition for waiver identified two applicants in two different exchanges and gave the reasons and justification for its request to deny service to those customers. Verizon subsequently filed amendments to the petition to recognize five additional applicants, and a change of the original applicant, for service along the same road as the original applicant in the Tonasket exchange.

Verizon provided all of the applicants with a copy of the petition and commission staff sent a letter to them informing them of an opportunity to participate in this process.

¹ WAC 480-120-071, "Extension of Service." (Order R-474, Docket No. UT-991737), filed 12/5/00, effective 1/15/01. Specifically, Verizon seeks a waiver of the requirement to extend service under WAC 480-120-071(2)(b) or, in the alternative, seeks a waiver of WAC 480-120-071(3)(a), so that it can charge the applicants the actual cost of the extensions.

² Verizon has filed two more waiver petitions since then, which are being analyzed by commission staff and will be presented for consideration at future open meetings.

Factors to Consider

The commission may consider the following factors (among others) in determining whether granting an exemption is consistent with the public interest under the rule:

- (A) The total direct cost of the extension;
- (B) The number of customers to be served;
- (C) The comparative price and capabilities of radio communication service or other alternatives available to customers;
- (D) Technological difficulties and physical barriers presented by the requested extensions;
- (E) The effect on the individuals and communities involved;
- (F) The effect on the public switched network; and
- (G) The effect on the company.

The company's petition generally addresses most of the factors listed above for each location. However, the Company's analysis of the direct cost of the extensions was limited to estimating the cost of land-line distribution plant; Verizon did not explore the cost of alternative technologies, such as satellite telephone service.³

Under WAC 480-120-071 and WAC 480-120-015, the commission can take any of the following actions with respect to line extension waiver requests:

1. Grant the petition, or
2. Set the matter for hearing.

³ WAC 480-120-071(2)(c) provides, "Any company required to extend service under this section may do so by extending distribution plant or by making a service and financial agreement with a radio communications service company or other alternative provider to provide service. The services provided through a radio communications service company or other alternative provider must be reasonably comparable services at reasonably comparable prices compared to services provided through wireline distribution facilities in the area of the exchange where service has been requested. In addition, the services must include all elements of basic service defined in RCW 80.36.600. A company extending service through a service agreement with a radio communications service company or other alternative provider may file a tariff as permitted under subsection (4) of this section to recover the lesser of the actual direct cost to extend the service through the cooperative agreement or the direct cost of extending wireline distribution plant."

Analysis

UTC staff has reviewed the applications and obtained additional data from Verizon. We have also gathered information from the applicants and from other property owners and residents in both areas. We conducted site visits and met with several of the applicants and their neighbors during the week of October 23, 2006. We also visited with and obtained information from the Okanogan County Planning Department.

The two sets of applications are for service in two different Verizon exchanges, and present two different fact situations. Therefore, the commission staff analysis is presented separately for each application.

1. Platt/Hussey– Tonasket Exchange

This application was filed initially by Jim Platt, who subsequently sold his property to Steve and Sherry Hussey. The Husseys requested that the Platt application be transferred to them. The Pitsker and Impero applications were added to the petition in late October 2006; the Connan application was received and incorporated into the petition in late November 2006, and the Vannoy application was added to the petition on December 11, 2006.

The Hussey, Pitsker, Impero, Connan and Vannoy locations are all on White Tail Lane, a long-established road⁴ that intersects with Cape Labelle Road, which is where Verizon's service currently ends. Based on visual inspection, the road is dirt, has grass on it in some places, but did not appear rocky or extremely rutted. Shortly after our visit in October, Okanogan PUD extended (via trench and conduit) electricity up the road at least as far as the Hussey location.

As stated above, four other owners have applied for telephone service since Verizon filed its petition. In addition to the five applicants, two other property owners have contacted the UTC and expressed their intent to build permanent dwellings on their property and to apply for telephone service. One of these owners stated his intent to subdivide his land into separate parcels, which could result in additional potential applicants. Several of the applicants and other owners expressed their intent to telecommute or work from home if they had phone service.

In its amended application for waiver, Verizon states that the cost to extend service to the five applicants is now estimated at \$69,346, or an average of \$13,870 per applicant. The addition of more customers along White Tail Lane can be expected to reduce the cost per applicant. This cost per applicant is well within the cost range of extensions Verizon has built in recent years:

⁴ Verizon's petition stated that White Tail Lane is a private road. Under Washington law, whether a road is private depends on use. See RCW 36.75.010(11), 070, and 080, and see WAC 480-120-061(1)(h). Many residents on private roads have telephone service.

Table 1: Verizon Extensions Included in ITAC Cost Recovery Filings

Docket	Period Covered	Average Cost per Customer – All (rounded)	Average Cost per Customer – 10 Costliest (rounded)
UT-051496	6/2003 – 6/2004	\$13,000	\$30,000
UT-060222	6/2004 – 11/2005	\$11,000	\$49,000

Verizon has not provided an analysis of the cost of alternative technologies and whether any of them might be less costly as a means to extend service to these applicants. While Staff believes the costs estimated by Verizon are reasonable for land-line service, Verizon should investigate whether a lower-cost alternative exists.

2. Ed Bush – Molson-Chesaw Exchange

Mr. Bush originally applied for service in 2005, and received a letter from Verizon’s Wenatchee office dated June 10, 2005, stating that “(W)e have reviewed your request for service and will construct telephone facilities for your service.”⁵ The price quoted to Mr. Bush was \$617.20. The letter also informed Mr. Bush that he would have to secure any private easements needed, and included a payment agreement for him to sign and return.

When questioned about this letter, Verizon provided us a copy of a letter to Mr. Bush dated November 16, 2005, which stated that unless Mr. Bush signed and sent in the payment agreement, his line extension request would be cancelled. Subsequently, Verizon cancelled Mr. Bush’s order for service.

Commission staff’s visit to the Bush location confirmed that it is on a steep, narrow dirt road. We observed several areas of the road with deep ruts; one area where a gully runs across the road; and several areas where the road cut through rock. The nearest telephone pedestal that we saw is at the intersection of Chesaw Road (also called Beaver Creek Road) and Toroda Creek Road, about 2.2 miles from the gate at the Bush property. There appear to be no other dwellings between Chesaw Road and the Bush property.

The Bush family (Ed, Linda, and daughter Angela) lives at their property year-round in a very small trailer with a recently-added plywood addition. Their residence is on a south-facing plateau several hundred feet above Chesaw Road. Mr. Bush is a disabled Vietnam-era veteran requiring

⁵ Mr. Bush provided us this letter during the course of our investigation. Verizon regulatory personnel stated that they did not know about this letter at the time Verizon filed its petition for waiver, but stated to staff their belief that the June 2005 letter does not preclude Verizon from petitioning for a waiver of Mr. Bush’s current line extension request.

medical assistance. The location is fenced and the family raises sheep and goats. Their daughter attends college in Republic.

The closest public phones are in Wauconda, 20 miles away, and Old Toroda, 12 miles away. According to Mr. Bush, neither of these phones accepts coins. The closest locations selling phone cards are Republic, Tonasket, or Curlew, all about 25 miles away. During our October 23 visit we also met one family living beyond Mr. Bush on Sqove Road. These residents, Mr. and Mrs. Ver Wiebe, live there full time and have two young school-age children. He too is a disabled veteran. Mr. Ver Wiebe told us that he too wanted service, and had requested service from Verizon in 2003 or 2004 and had been turned down⁶. His statement is inconsistent with Verizon's Statement of fact at II.A.5. of its petition, which states that "Verizon has received no service requests or expressions of interest from anyone along this private road other than from Mr. Bush."

Both families travel the road every day. Mr. Bush stated that they maintain the road with a drag plow, and he told us that the washout rut would be fixed.

Staff agrees with Verizon that extending land-line telephone service to the Bush location would be costly. The private road to his residence is steep, rutted, narrow, and has rocky patches. However, we are troubled by Verizon's current reluctance to serve the Bush location, when the Company had, in 2005, approved the extension of service to this location. The Company's subsequent cancellation appeared not to be based on the high cost to extend service to Mr. Bush. Verizon has presented no evidence to staff that Mr. Bush is any less entitled to service today than he was in June 2005.

WAC 480-120-071(2)(c) provides a company the opportunity to either provide service by extending distribution plant or by contracting with an alternative provider to provide service. The Company can then file a tariff to recover the lesser of the actual direct cost to extend the service through the cooperative agreement, or the direct cost of extending wireline distribution plant. In its petition, Verizon states that satellite phone service is "generally available in the area." Staff recommends that Verizon be required to explore this option for serving the Bush location before being granted a waiver of its obligation to serve this applicant.

Conclusion

The two sets of applications are for different exchanges and present different circumstances and fact situations and could result in different outcomes. Commission staff recommends the Commission bifurcate the proceeding so that Verizon's petition for waiver regarding the Bush

⁶ We have requested documentation from Mr. Ver Weibe to support his statements, but have not received it. He also called the commission's toll-free consumer line on October 26 expressing his desire for phone service.

application can be considered separately from the Company's petition for waiver regarding the Hussey/Pitsker/Impero/Connan/Vannoy applications.

Regarding the Hussey/Pitsker/Impero/Connan/Vannoy applications, staff's investigation indicates that the cost to extend land-line service to these customers is not excessive compared to other extensions routinely performed by Verizon. Also, subsequent contacts from other owners indicate that additional requests for service will be forthcoming. Furthermore, Verizon has not provided cost information about alternative technologies. Therefore, Verizon's petition for waiver of extending service to the Hussey, Pitsker, Impero, Connan and Vannoy locations should be set for hearing to determine if it should be granted or denied.

Regarding the Bush application, Verizon has not demonstrated why Mr. Bush is any less entitled to service now than he was in June 2005, which is when Verizon approved his previous request for service. Verizon should be required to investigate whether it can serve the Bush location at a lower cost by using or contracting for an alternative service method. Therefore, Verizon's petition for waiver to extend service to the Bush location should be set for hearing to determine whether it should be granted or denied.