

Agenda Date: October 23, 2002
Item Number: A5

Docket: UT-021323 – Rate Center Consolidation
Company Name: CenturyTel of Washington, Inc., dba CenturyTel

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Recommendation

Order the consolidation of the rate centers, as identified in Appendix A, in Clallam, Grays Harbor, Jefferson, Kitsap, Lewis, Pacific, and San Juan counties.

Background

The traditional method of assigning telephone number prefixes has been for each telecommunications company to use a unique three-digit telephone prefix in each local area or “rate center” where it offered local service. For example, CenturyTel uses a separate prefix in each of five communities in eastern Lewis County: Glenoma, Mineral, Morton, Packwood, and Randle. Each prefix has 10,000 numbers, yielding 50,000 numbers available to serve an area that in the aggregate has about 5,000 customers. If a second telephone company were to begin offering service in this area, it would be required to obtain five more prefixes, and the entry of a third company would require five more.

Since 1999 the WUTC and the telecommunications industry have been engaged in a multi-pronged effort to improve the efficiency with which telecommunication companies use telephone numbers. The WUTC and the industry are pursuing two basic approaches to number conservation:

- (1) Number pooling - Multiple companies use a single prefix to serve customers in any particular rate center. The 10,000 numbers in a prefix are divided into blocks of 1,000, so that individual blocks can be assigned to different companies; and
- (2) Rate center consolidation – The geographic area covered by any particular prefix is expanded, allowing more customers to be served and requiring fewer prefixes to cover the same geographic area. Rate center consolidation is a particularly useful step in areas where expansion of the local calling area has made the smaller geographic designations redundant.

Previous Rate Center Consolidations

In November 1999, the WUTC directed the telecommunications industry, acting through the Washington Exchange Carrier Association, to investigate the possibility of consolidating rate centers so as to conserve telephone number resources. As a result, the industry identified several

areas of the state where rate centers could be consolidated without adverse impact. All of these areas were served by U S WEST (now Qwest) or GTE (now Verizon) as the incumbent. The industry achieved significant efficiencies through consolidation in Whatcom, Snohomish, Chelan, Douglas, Kittitas, Clallam, Skagit, and Spokane counties.

The first round of rate center consolidations was accomplished in 2000 by order of the WUTC in Docket UT-991627. GTE then implemented a second round of consolidations on its own, without WUTC order.

These efforts, including both number pooling and rate center consolidation, have allowed the state to postpone indefinitely the addition of at least one more area code in both western Washington and eastern Washington.

Current Proposal

Staff has identified a set of rate centers in areas served by CenturyTel that could be consolidated with very little impact on customers or the telecommunications industry. There are 26 rate centers that could be consolidated into nine larger rate centers. No customer would be required to change his or her telephone number. Appendix A lists the proposed consolidations, and they are mapped in Appendix B.

Effect on Use of Telephone Prefixes

The consolidation of these rate centers will allow both CenturyTel and any competitors to use fewer prefixes over broader geographic areas. For example, CenturyTel recently added a prefix in Friday Harbor to meet demand for telephone numbers on San Juan Island, even though there were thousands of unused numbers in its Blakely Island, Eastsound, and Lopez prefixes. Had those rate centers been consolidated as proposed now, the company could have used the surplus Blakely Island numbers on San Juan Island.

Similarly, competitors can serve a broader geographic area with fewer prefixes if the rate centers are larger. The telephone industry guidelines require that numbers be used only within the rate center to which the prefix is assigned, so having multiple rate centers in a local calling area can cause unnecessary use of multiple prefixes by each competitor.

All of the proposed consolidations are in area code 360, which has 63 prefixes remaining and is subject to rationing of prefix assignments. Moreover, they cover areas where the other conservation method, number pooling, has not been implemented. (Federal rules generally exempt CenturyTel from pooling obligations.)

The immediate benefit of the proposed consolidation will be small, because the resulting duplicate prefixes cannot be reclaimed without changing the numbers of existing customers. However, it will enable growth – either growth in customers or growth in the number of telecom companies – to be better served within existing resources.

Effect on Local Rates and Local Calling Areas

With one exception, the consolidations would have no impact on the scope of the local calling area of the affected customers. The exception is Mineral, which Staff proposes to consolidate into a larger Morton rate center. It is already a local call to Morton, but the consolidated Morton rate center would also include the current rate centers of Glenoma, Packwood, and Randle, which are outside Mineral's local calling area. Since some calls would be converted from toll to local, CenturyTel would experience a small reduction in its access charge revenues.

This change could also cause an increase in the local rates paid by all customers in the larger Morton rate center. CenturyTel's rate for local service depends on the number of lines in the customer's local calling area. If there are no more than 5,000 lines, the residential rate is \$12.40; it is \$13.90 if there are 5,001-20,000 lines. According to data provided by CenturyTel in 2001, adding Mineral's 331 lines to the existing local calling area would bring the total number of lines to 4,998.

All other rate center consolidations proposed by Staff involve no change in the scope of the local calling area and thus no effect on the local rates of the customers or the designation of individual calls as toll or local.

Effect on CenturyTel's Transport Access Charges

Even though the proposed consolidations do not cause toll calls to become local calls, CenturyTel has informed Staff that the changes could nonetheless affect its access revenues because it would eliminate some toll rating points. CenturyTel's access charges include some mileage-based charges for the transport of toll calls, and these mileage charges would change with rate center consolidation. For example, on a toll call from Centralia to Mineral, CenturyTel would charge the long-distance company both for transport to the host switch in Morton and for transport from that host switch to the remote switch in Mineral. Since CenturyTel does not charge for transport within a rate center, consolidation would eliminate the Morton-Mineral transport charge.

Staff believes that this loss of access revenue should not be a good reason to preserve the current, inefficient pattern of rate centers. CenturyTel may be able to mitigate some of the effect by adjusting the toll rating points of the new rate centers, i.e., by increasing the transport charge from Centralia to Morton in the previous example. If necessary, CenturyTel can propose adjustments to its access rates to offset any material impact of this consolidation.

Conclusion

Consolidating the rate centers identified here will allow CenturyTel and its competitors to be more efficient in their use of telephone numbers. It is a small but important step in the efforts to avoid another area code in western Washington.

APPENDIX A

Proposed Rate Center Consolidations

Current Rate Centers	Consolidated Rate Centers
CURTIS PE ELL	CURTIS
ELMA MCCLEARY	ELMA
CLALLAMBAY CLEARWATER FORKS NEAH BAY	FORKS
HANSVILLE KINGSTON	KINGSTON
HUMPTULIPS LKQUINAULT	LKQUINAULT
CHINOOK LONG BEACH OCEAN PARK	LONG BEACH
GLENOMA MINERAL MORTON PACKWOOD RANDLE	MORTON
BLAKELY IS EASTSOUND FRIDAY HBR LOPEZ	SAN JUAN
RAYMOND SOUTH BEND	SOUTH BEND

