

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory & Compliance Division RESOLUTION T-14328
Telecommunications Branch Date May 22, 1991R E S O L U T I O N

RESOLUTION T-14328. CALIFORNIA-OREGON TELEPHONE CO.
REQUEST FOR AUTHORITY TO LIMIT TWO-PARTY SERVICE WITHIN
THE BASE RATE AND SPECIAL RATE AREAS AND REDUCE ONE-
PARTY MILEAGE.

BY ADVICE LETTER No. 148 FILED ON MARCH 18, 1991.

SUMMARY

This resolution authorizes California-Oregon Telephone Company's (Cal-Oregon) request in Advice Letter No. 148 to:

- a) Limit two-party service within its Base Rate Areas and Special Rate Area to existing two-party customers at the same premises.
- b) Maintain suburban two-party service for two-party customers outside the Base Rate and Special Rate Areas.
- c) Reduce mileage charges on one-party and off-premises services.
- d) Waive service connection charges for 90 days to encourage upgrades.

The Advice Letter was filed on March 18, 1991. There were no protests received by Cal-Oregon or the Commission Advisory and Compliance Division (CACD).

BACKGROUND

Cal-Oregon serves the Tulélake, Newell, Dorris and Macdoel exchanges in LATA 2. It serves approximately 2,097 customers, 372 of whom are still on two-party service.

Cal-Oregon's Advice Letter No. 148 requests to limit its two-party service to existing customers in its Base Rate Areas and Special Rate Area. These customers would then be grandfathered allowing them to be on the one-party system as two-party customers at two-party rates. These grandfathered customers will not be entitled to the options available to the one-party line customers such as call waiting, call conferencing and so on.

Cal-Oregon has been attempting to encourage its customers within its Base Rate Areas and Special Rate Area to upgrade their

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systems from the current two-party system to the one-party system which provides better quality service and lower operating cost. To achieve this goal effectively, Cal-Oregon requests to waive connection charges for upgrades for 90 days. For those customers who do not elect to upgrade their service to one-party service, Cal-Oregon proposes to grandfather them within the Base Rate Areas or Special Rate Area. Cal-Oregon is also proposing to reduce its one-party mileage rates for service outside its Base Rate Areas and Special Rate Area in order to stimulate some of its suburban two-party customers to upgrade to one-party service. Currently two-party service pays no mileage rates. Upgrading all two-party lines outside the Base Rate Areas and Special Rate Area to one-party lines would be too expensive at this time because of rugged terrain and very long distances. Cal-Oregon feels that some of these suburban customers may be in a better position to upgrade depending on their closeness to the Base Rate Areas or Special Rate Area, combined with the proposed reduction in mileage costs and waived connection charges.

There are disadvantages and problems that make the two-party system unattractive to Cal-Oregon.

- a. It is more expensive to provide and administer.
- b. It is harder to disconnect services when necessary because of the long customer service distances in the rural areas. Two-party lines can not be temporarily disconnected at the central office.
- c. Two-party lines often create answering machine hangups, cordless phone interference and consequent billing errors.
- d. The two-party system has generally resulted in poor service because of its attributes, and the problem is often beyond the control of the Utility.
- e. The 911 program does not work well in multi-party system situations.

On the other hand, the one-party system provides the following advantages both to the provider and the customers:

- a. Maintains privacy during calls and has less interruptions.
- b. Provides easy and quick line access.
- c. Allows a variety of terminal equipment.
- d. Allows custom calling services.
- e. Has superior transmission quality.
- f. Is recommended by State of California's 911 program.

Cal-Oregon also hopes to encourage customer enthusiasm for the one-party system by reducing its one-party mileage rates for all suburban customers. Rates would be reduced from 80 cents per quarter mile (pqm) to 50 cents pqm for the Dorris and Macdoel exchanges, and from 70 cents pqm to 50 cents pqm for the Newell and Tulelake exchanges.

The proposed mileage rate reductions and waived service connection charges will cause an estimated revenue reduction of

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\$20,200 for the first year. The estimated upgrade revenue outside the Base Rate Areas and the Special Rate Area is \$4,160 while the estimated upgrade revenue inside the Base Rate and Special Rate Areas due to the service connection waiver is \$126. The net revenue reduction effect for the first year is estimated to be \$15,914. Cal-Oregon will absorb the loss of revenues and will not seek rate relief at this time.

NOTICE/PROTESTS

Cal-Oregon has notified AT&T, Pacific Bell, adjoining utilities and its customers. Customer notifications were sent out on April 1, 1991. Neither the company nor CACD has received any protests. Notice of this Advice Letter was published in the Commission calendar on March 21, 1991.

DISCUSSION

Cal-Oregon's request is based on its need to modernize its system. There are disadvantages and problems with the two-party system which have made it very unattractive to Cal-Oregon.

Cal-Oregon has therefore proposed to waive the service connection charge for upgrades for 90 days from the effective date of this resolution, limit two-party service within the Base Rate Areas and Special Rate Area and grandfather two-party customers. Two-party service will be available to future subscribers within the Base Rate Areas and Special Rate Area. Grandfathering these customers will bring them onto the one-party system at two-party rates, but they will be precluded from receiving standard one-party options such as call waiting, call forwarding and call conferencing until such time they elect to subscribe to one-party service.

The company does not propose to grandfather the two-party service throughout its service area because of poor terrain and very long distances outside the Base Rate Areas, which at this time would make providing all one-party service very costly. Cal-Oregon requests to reduce its one-party mileage rates as an incentive for some suburban customers to upgrade to one-party line service.

FINDINGS

1. Cal-Oregon's proposed mileage rate reductions and the 90 day service connection charge waiver are reasonable. They provide incentives to encourage customers to upgrade from the current two-party line service to the more beneficial one-party line.
2. Cal-Oregon's proposal to limit two-party service within the Base Rate Areas and Special Rate Area to existing customers, thus limiting the service to existing subscribers, is reasonable.

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3. Cal-Oregon's request to grandfather its two-party line customers within its Base Rate Areas and Special Rate Area is reasonable because it allows the company to provide all its customers service efficiently within those areas.

THEREFORE, IT IS ORDERED that:

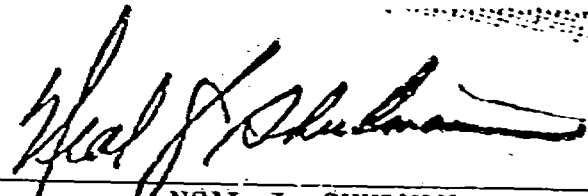
1. The request by California-Oregon Telephone Company in Advice Letter No. 148 to grandfather its two-party line customers, limit two-party service within the Base Rate Areas and Special Rate Area to existing customers, and maintain suburban services is authorized.

2. The request by California-Oregon Telephone Company to waive service connection charges for customers upgrading to the one-party service is authorized.

3. All tariff sheets under Advice Letter No. 148 shall be marked to show that such sheets were authorized by this Resolution.

4. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 22, 1991. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERF
President
G. MITCHELL WILK
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.