

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
**PUBLIC UTILITIES COMMISSION**

IN RE:     NYNEX PRICE REGULATION PLAN

DOCKET NO. 2370

Report and Order

On October 15, 1998, the New England Telephone & Telegraph Company, d/b/a Bell Atlantic – Rhode Island (“BA-RI”) made its third annual Price Regulation Plan (“PRP”) filing with the Public Utilities Commission (“Commission”). The PRP, a successor to the Price Regulation Trial, was adopted in Order No. 15020 (issued June 25, 1996). It provides BA-RI with pricing flexibility, pursuant to several formulae.<sup>1</sup> There are consumer protections included at each service group level, through the implementation of individual Price Regulation Indices (“PRI”) and rate element caps. In addition, the Company made certain commitments regarding rate stability for residential basic exchange services.<sup>2</sup>

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<sup>1</sup> Since the institution of the PRP, there have been significant benefits to Rhode Island consumers. These include the implementation of an unlimited Statewide Calling Plan; a five-year commitment from BA-RI to provide data network access services; a five-year freeze on pay telephone charges at twenty-five cents per initial period charge; and a five-year commitment from BA-RI to absorb the cost of its Lifeline credit for low-income residential customers, up to \$2,200,000 per annum. Moreover, the regulated price elements of the service groups have been decreased by over 5% since 1996.

<sup>2</sup> Rates will remain stable until the year 2000, unless a customer’s rate group is reclassified.

The instant PRP filing included reductions to rates in Service Groups 1 and 3, and a net increase to rates in Service Group 4.<sup>3</sup>

The net annual revenue impact of these changes to the Company is a reduction of \$8,200,000. In addition to rate changes, the filing further reduces revenues by \$1,638,323 for exogenous cost changes attributable to the FCC's revised allocation for other billing and collection expenses, and for a 1% reduction in the Rhode Island gross receipts tax.

BA-RI proposed to restructure its existing measured business service on a per message/per minute basis, while maintaining a five-minute message unit rate for measured residence customers. The five-minute message charge of 10.41¢ was replaced by a per message charge of 3.5¢ and a per minute charge of 3.5¢, for a total revenue impact to BA-RI of \$4,000,000 per year.

BA-RI also simplified toll band rates, so that the initial minute charge for each of the two toll bands now equates to the additional minute charge.

On December 11, 1998, the Division of Public Utilities and Carriers ("Division"), through its telecommunications specialist, Brian Kent, filed a recommendation that the third annual PRP filing be approved, with one condition.<sup>4</sup> He proposed that BA-RI restructure its measured residence service on an

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<sup>3</sup> Service Group 1 consists of residence and business basic exchange service, including local usage and the initial period charge for local sent paid calls from a public or semi-public telephone; Service Group 3 includes interconnection services; and Service Group 4 includes all other tariffed services (except discretionary local exchange services), such as toll and Centrex service.

<sup>4</sup> Mr. Kent's summary of the PRP is attached as Exhibit A, and incorporated by reference.

equivalent per message/per minute basis, while maintaining revenue neutrality for the restructured measured residence service.

At an open meeting on December 15, 1998, the Commission considered the PRP filing and the Division's memorandum, and unanimously voted to approve the filing with the proviso that the Company file, within sixty days, a tariff restructuring residence measured basic exchange service from a message unit structure to a per minute structure.

In response, BA-RI submitted tariff revisions on February 16, 1999. The new proposal included an allowance of \$3.12 per month, in lieu of thirty message units, for non-Lifeline customers, and \$6.25 per month, in lieu of sixty message units, for Lifeline customers. The annual impact of the change was a decrease of \$21,207 in BA-RI's revenues. The filing was considered during a March 4, 1999 open meeting. There was significant concern over the way in which the basic exchange service allowance would be measured. Most customers, used to thinking in terms of message units, might have some difficulty converting to a cents-per-call allowance. Accordingly, it was proposed that the Company restructure the allowance in terms of minutes of use.

BA-RI made a second compliance filing on March 8, 1999, proposing an allowance of 90 minutes for non-Lifeline customers, and 180 minutes for Lifeline customers. Timing is done on a per minute basis, with each call rounded to the minute. Calls exceeding the allowance will be billed at a rate of 3.7¢ per minute. The structure mirrors residential toll, and is thus more comprehensible to most

customers. The revenue impact of this additional revision was to increase annual losses to \$55,470.

Accordingly, it is

(15900) ORDERED:

1. The third annual Price Regulation Plan filing by New England Telephone & Telegraph Company, d/b/a Bell Atlantic – Rhode Island, is hereby approved for effect on and after January 15, 1999.

2. The compliance filing made on February 16, 1999, is hereby approved, with the exception of the Residence Measured Basic Exchange Service.

3. The Company's March 8, 1999 proposal to restructure Residence Measured Basic Exchange Service, allowing 90 minutes for non-Lifeline customers and 180 minutes for Lifeline customers, is hereby approved.

EFFECTIVE AT PROVIDENCE, RHODE ISLAND PURSUANT TO OPEN MEETING DECISIONS ON DECEMBER 15, 1998, MARCH 4, 1999, AND MARCH 9, 1999. WRITTEN ORDER ISSUED JUNE 16, 1999.

PUBLIC UTILITIES COMMISSION

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James J. Malachowski, Chairman

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Kate F. Racine, Commissioner

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Brenda K. Gaynor, Commissioner