OREGON PUBLIC UTILITY COMMISSION
INTEROFFICE CORRESPONDENCE

DATE: November 19, 2015

TO: File through Bryan Conway and Bruce Hellebuyck

FROM: Jim Stanage

SUBJECT: CENTURYTEL OF OREGON INC: (Docket No. ADV 126/Advice No. CTL-2015-02) Establishes a Special Contract submitted pursuant to ORS 759.250(5).

BACKGROUND

This filing will appear on the Commission's December 1, 2015, public meeting agenda.

CenturyTel of Oregon, Inc. dba CenturyLink, (CenturyTel) proposes approval of a thirty-six month special contract with a confidential customer for Integrated Services Digital Network Primary Rate Interface Service (ISDN-PRI). The contract went into effect on September 23, 2015, and was filed on October 29, 2015. Pursuant to ORS 759.250, the Commission has 90 days from the date of filing to terminate the effectiveness of a special contract. For this filing, the end of the 90-day statutory period would be January 27, 2016.

Description of Contract

CenturyTel proposes a thirty-six month special contract with a confidential customer for ISDN-PRI. The ISDN-PRI is being provided under the contract at a monthly rate of $575.00 per unit, which represents a 41 percent discount off the regularly tariffed rate of $975.00. The filing states that the company will give the discounted prices to any similarly situated customer requesting it.

The company's tariff does not offer discounts that are as large as those proposed in this special contract, and thus, the contract provides the customer unique rates for the contract services. CenturyTel also considers the contract services to be competitive. If CenturyTel does not provide the contract services, a number of competitors would be able to provide the services.

Shortfall and termination liability language in the contract adequately protects other customers in case the confidential customer should seek early termination of the special contract.

Description of Services

ISDN-PRI consists of 23 bearer (B)-channels and one data (D)-channel, for a total transmission rate of 1.544 Megabits per second (Mbps). It is designed for transmission through a T1 facility. Each 64 Kilobits per second (Kbps) B-channel carries user information such as voice calls, circuit-switched data, or video. The D-channel is a 64 Kbps channel that is used to carry the control or signaling information.

STAFF ANALYSIS

Review Procedures

Telecommunications utilities are allowed, through ORS 759.250, to enter into special contracts with customers without being subject to standard tariff filing procedures under ORS 759.175. In addition, these contracts are not subject to hearings (ORS 759.180) or suspension (ORS 759.185).

ORS 759.250 outlines the requirements for approval of telecommunications special contracts, which are as follows:

1. The contract service must be a new service with limited availability, respond to a unique customer requirement, or be subject to competition.

2. Prices must exceed the long-run incremental cost of providing the service.

3. Telecommunications utilities are required to file special contracts no later than 90 days following the effective date of the contract. Contracts must not exceed five years, and ORS 759.250 does not permit automatic contract renewals.

4. The Commission shall issue an order on the filed contract within 90 days of the filing. If the Commission does not act within 90 days of the filing, the contract is deemed approved. Staff understands that if a telecommunications utility does not provide sufficient evidence to support the contract under ORS 759.250, the staff may recommend that the Commission reject the contract.

In addition, the law states that the Commission shall issue an order on the filed contract within 90 days of the filing. If the Commission does not act within 90 days of the filing, the contract is deemed approved. Staff understands that if a telecommunications utility does not provide sufficient evidence to support a contract filing under ORS 759.250, then staff may recommend that the Commission reject the contract.

Classification and Unjust Discrimination Criteria

PUC Order No. 92-651, issued May 1, 1992, adopted additional procedures and guidelines for telecommunications special contract filings. The order specifies that in assessing special contracts the Commission must consider the reasonableness of the contract rates and whether the rates result in unjust discrimination. The statutes that underlie these areas of concern are ORS 759.210 (classification of service and rates) and ORS 759.260 (unjust discrimination).

Staff's contract analysis dealing with conformance to ORS 759.210 is twofold. First, staff determines if a special contract rate class is developed by the telecommunications utility for one or more of the following reasons: a) the quantity of the contract service used; b) the purpose for which the contract service is used; c) whether price competition or a service alternative exists; d) the contract service being provided; e) the conditions of contract service; or f) other reasonable considerations. Second, staff determines if the special contract results in revenue sufficient to ensure just and reasonable rates for remaining customers (a "prudency review").

In assessing whether a special contract conforms to ORS 759.260, staff determines if the special contract avoids unjust discrimination. This is basically a comparative analysis that depends on a review of the existing tariff for similar or related services.

The company submitted a financial analysis that shows that the proposed rates cover the company's estimated long-run, incremental cost of service (LRIC) for the contract service(s). Although CenturyTel has not completed a general cost study docket and had its results adopted by the Commission, the proposed rates do cover Qwest Corporation's adopted LRIC for the same regulated services, which staff is using as a surrogate.

Conclusions

Staff has investigated the filing and finds that it complies with Order No. 92-651 (UM 254), the contracted services are subject to competition, the contract price(s) is above the company's cost of service, and the company would offer the discounted contract price(s) to any similarly situated customer requesting it.