ITEM NO. RA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 5, 2022

REGULAR X CONSENT ____ EFFECTIVE DATE April 15, 2022

DATE: March 23, 2022

TO: Public Utility Commission

FROM: Joseph Bartholomew

THROUGH: Bryan Conway, Marc Hellman, and Bruce Hellebuyck **SIGNED**

SUBJECT: QWEST CORPORATION dba CENTURYLINK QC, CENTURYTEL OF OREGON, CENTURYTEL OF EASTERN OREGON dba CENTURYLINK, UNITED COMPANY OF THE NORTHWEST dba CENTURYLINK:
(Docket Nos. ADV 1370/Advice No. 2164, ADV 1374/Advice No. 376, ADV 1375/Advice No. 22-01, ADV 1380/Advice No. 2165, ADV 1381/Advice No. 22-02, and ADV 1382/Advice No. 377)
Monthly Rates for Residential Access Lines.

STAFF RECOMMENDATION:

Staff recommends that the Commission reject the advice filings made by Qwest Corporation dba CenturyLink QC (Qwest, Lumen, or the Companies), CenturyTel of Oregon, CenturyTel of Eastern Oregon dba CenturyLink (CenturyTel, Lumen, or the Companies), United Company of the Northwest dba CenturyLink (United, Lumen, or the Companies).

DISCUSSION:

Background

Staff has three recommendations and recommends the first option to the Commission because it complies with the plain language of the Price Plan (Option No. 1). When Lumen initially filed these Advice filings with the Commission, Staff identified issues with the filings that made the Company out of compliance with its Price Plan. After initial discussions with Lumen raising these concerns, the Company amended its request (Option No. 2). Staff appreciates Lumen's creativity in modifying its original request to incorporate price decreases to propose a change that is in the spirit of the Price Plan and legally supportable. Staff provides another option (Option No. 3) as a forward-

looking option in that it sets a path towards investigating a new Price Plan that also will likely have additional focus on developing improved tools to address service quality issues under investigation in Docket No. 2206.

Issue

Whether the Commission should approve the Companies' tariff filings, reject the tariff filings, or reject the tariff filings and open an investigation into the Companies' Price Plan.

Applicable Law and Rules

Telecommunications utilities are required by ORS 759.175 to submit tariff filings to the Commission whenever they intend to change their rates, terms, or conditions of service. The Companies operate under a price plan (Price Plan or Plan) pursuant to ORS 759.255, under which the Commission regulates prices without regard to the return on investment of the utilities. The Price Plan was approved in Docket No. UM 1908 with Order No.18-359 and became effective on September 28, 2018.

Among its numerous provisions, the Price Plan contains price rules (most often in the form of price caps) and availability requirements for various services, including Primary Line Basic Service (PLBS). Section 1(g) of the Price Plan defines PLBS as the first line only of basic local exchange service for an individual residential or business customer that is not sold as part of a package. Under Section 4(e)(i) of the Price Plan, the Companies may increase monthly flat rates for residential PLBS services by a maximum of $3.00 per plan year, with a maximum increase of $10.00 over the four-year term of the Price Plan. Section 4(e)(ii) of the Price Plan also limits the line component of the residential measured service rate to no more than 80 percent of the flat residential PLBS rate. These caps are reduced if CenturyLink elects to introduce a Facility Improvement Surcharge under Section 5 of the Plan by the amount of that surcharge.

Under Section 4(g) of the Price Plan, The Companies' EAS rates are capped at pre-plan rates. This section of the Price Plan also relieves the Companies from any obligation to provide new or expanded EAS routes and allows them to combine residential PLBS rates and EAS rates on a single bill line for the purpose of bill simplification.

Section 8(a)(i) of the Price Plan requires tariff changes to be filed with the Commission at least 30 days prior to the effective date of the change and requires the Companies to provide customers subscribing to affected service 30 days' notice of any increases. The

Price Plan allows one-day notice to the Commission for price decreases and requires no notice to customers for price decreases.

Section 2 of the Price Plan lays out the general objectives the Price Plan is intended to achieve.

Section 3 of the Price Plan deals with the term of the Price Plan including the Commission's review of the Price Plan for extension and potential modifications to the Price Plan for the next four-year term.

Under Section 5 of the Price Plan, the Companies can implement a Facility Improvement Surcharge to recover facilities-related costs.

The Commission may open an investigation at any time pursuant to ORS 756.515 to determine whether further adjustments to the Price Plan or termination of the Price Plan is required by the public interest according to factors set forth in ORS 759.255(2). The Commission may order further adjustments to the Price Plan or termination of the Price Plan only after providing the Companies with notice and opportunity for a hearing.

If the Commission orders early termination of the Price Plan, the Parties agreed in the Stipulation adopted in Order No. 18-359 that they would not advocate for rates that are lower than those that were in effect one year prior to the initiation of the proceeding to terminate the Price Plan, and the Companies would no longer be able to increase their rates as was permitted to do under the Price Plan.

Analysis

Price Plan Compliance
On February 15, 2022, Qwest filed Docket No. ADV 1370, Advice No. 2164, with the Commission. As shown in Table 1 on the following page, Qwest proposes to increase Residential Flat Rate services and Budget Measured Service and decrease its Residential EAS Flat Rate. Per the Price Plan, the Company cannot increase prices for the Residential Flat Rate services more than $10.00 per the term of the Price Plan (4 years).

Table 1: Qwest Proposed Changes to OR PUC No. 33 Tariff

Service	USOC	Pre-Price Plan	Current Price	Proposed Price	Cumulative Rate Change
Residence EAS Flat Rate - Band A1 - A3	OC1	$1.28	$1.00	$0.00	-$1.28
Residence EAS Flat Rate - Band B1 - B3	OC1	$2.20	$2.00	$1.00	-$1.20
Residence EAS Flat Rate - Band C1 - C2	OC1	$4.97	$2.00	$0.00	-$4.97
Budget Measured	LW1	$9.37	$17.37	$20.37	75.04%[1]
Budget Measured	JRN	$9.37	$17.37	$20.37	75.04%[2]
Residence Flat Rate Service - Rate Group 1	1FR/JRG/RUA	$15.80	$24.00	$27.00	***$11.20***
Residence Flat Rate Service - Rate Group 2	1FR/JRG/RUA	$16.80	$24.00	$27.00	***$10.20***
Residence Flat Rate Service - Rate Group 3	1FR/JRG/RUA	$17.80	$24.00	$27.00	$9.20

Staff has found that with this proposed increase, Residential Flat Rate Services - Rate Group 1 would increase by $11.20 and Residential Flat Rate Services - Rate Group 2 would increase by $10.20 over the four-year term of the Price Plan, which is out of compliance per the Price Plan.

On February 15, 2022, CenturyTel filed ADV 1374, Advice No. 376 with the Commission, which proposes to increase Residential Flat Rate services, Duplicate Bill charge, Local Measured Service (group 1 & 2), Trouble Isolation Charge, Return Payment Charge, and decreased Extended Area Services for all bands both for residential and business, as shown in Table 2 on the following page.

[1] Rate increases allowed up to 80 percent of Res Basic Svc Flat Rate.
[2] Rate increases allowed up to 80 percent of Res Basic Svc Flat Rate.

Table 2: CenturyTel Proposed Changes to OR PUC No. 6 Tariff

Service	Pre-Price Plan	Current Price	Proposed Price	Cumulative Rate Change
Copy of Bill (A.K.A Duplicate Bill Charge)	$4.00	$4.00	$5.00	25.00%[3]
Flat Rate Service (Rate Group 1)	$15.48	$24.00	$27.00	***$11.52***
Flat Rate Service (Rate Group 2)	$17.55	$24.00	$27.00	$9.45
Local Measured Service (Rate Group 1)	$11.55	$16.50	$20.00	74.00%[4]
Local Measured Service (Rate Group 2)	$16.55	$19.00	$20.00	74.00%[5]
Extended Area Service (Band A) - Res	$4.83	$3.00	$1.00	N/A
Extended Area Service (Band B) - Res	$5.00	$3.00	$1.00	N/A
Extended Area Service (Band C) - Res	$5.50	$3.00	$1.00	N/A
Extended Area Service (Band D) - Res	$5.50	$3.00	$1.00	N/A
Extended Area Service (Band E) - Res	$7.00	$3.00	$1.00	N/A
Extended Area Service (Band A) - Bus	$7.00	$3.00	$1.00	N/A
Extended Area Service (Band B) - Bus	$7.00	$3.00	$1.00	N/A
Extended Area Service (Band C) - Bus	$9.00	$3.00	$1.00	N/A
Extended Area Service (Band D) - Bus	$10.00	$3.00	$1.00	N/A
Extended Area Service (Band E) - Bus	$12.00	$3.00	$1.00	N/A
Trouble Isolation Charge - First 15 minutes	$21.30	$40.00	$45.00	111.27%[6]
Trouble Isolation Charge – Addl. 15 minutes	$9.00	$15.00	$18.00	100.00%[7]
Returned Payment Charge	$7.50	$16.75	$22.50	200.00%[8]

[3] Greater of $0.50 or 50 percent annually; 200 percent cap over Plan term.
[4] Rate increases allowed up to 80 percent of Res Basic Svc Flat Rate.
[5] Rate increases allowed up to 80 percent of Res Basic Svc Flat Rate.
[6] Greater of $0.50 or 50 percent; 200 percent cap over Plan term.
[7] Greater of $0.50 or 50 percent; 200 percent cap over Plan term.
[8] Greater of $0.50 or 50 percent; 200 percent cap over Plan term.

With the increased price CenturyTel proposes, customers would now be charged $27.00 a month for each rate group. Staff has found that with this proposed increase, Residential Flat Rate Services - Rate Group 1 would increase $11.52 over the four-year term of the Price Plan which is out of compliance per the Price Plan.

On February 15, 2022, United filed ADV 1375, Advice No. 22-01 with the Commission, which proposes to increase One-Party Flat Rate Services and One Party Measured Service, and decrease Extended Area Service, as shown in Table 3.

Table 3: United Proposed Changes to OR PUC No. 4 Tariff

Service	Pre-Price Plan	Current Price	Proposed Price	Cumulative Rate Change
One-Party Flat Rate Service	$16.43	$24.00	$27.00	***$10.57***
One-Party Measured Service	$10.07	$18.07	$21.00	77.00%[9]
Extended Area Service (Level 1) - Res	$2.00	$2.00	$1.00	-$1.00
Extended Area Service (Level 2) - Res	$4.04	$2.00	$1.00	-$3.04
Extended Area Service (Level 3) - Res	$6.00	$2.00	$1.00	-$5.00
Extended Area Service (Level 1) - Bus	$3.00	$3.00	$1.00	-$2.00
Extended Area Service (Level 2) - Bus	$6.00	$3.00	$1.00	-$5.00
Extended Area Service (Level 3) - Bus	$11.00	$3.00	$1.00	-$10.00

Staff has found that with this proposed increase, One-Party Flat Rate Service would increase $10.57 over the four-year term of the Price Plan which is out of compliance per the Price Plan.

As can be seen in the above tables a number of the increases proposed by the Company would result in PLBS prices that increase more than $10 over the term of the current Price Plan. Those increases are shown in ***red bold/italics*** in the above tables.

[9] Rate increases allowed up to 80 percent of Res Basic Svc Flat Rate.

Options for Reaching Compliance
Pursuant to the Price Plan, the Company cannot increase these services more than $10.00 per the term of the Price Plan (4 years). The netting of PLBS increases with EAS decreases, as initially proposed by the Companies, to meet that $10 limit is not allowed in the Price Plan.[10]

Staff has been in contact with Lumen regarding these compliance issues and has discussed potential remedies with Lumen to come into compliance with its Price Plan.

Among the remedies discussed was that the Companies could amend their filings to reduce the PLBS increases to a level that would not exceed the $10 term limit. Staff informed the Companies that Staff could not support such an approach as it would not satisfy the 30-day Commission notice requirement in section 8.a), or the 30-day customer notice requirement contained in Section 8.b) of the Price Plan. Instead, Staff has identified two options for the Companies to come into compliance with its Price Plan. Staff also notes an additional option in the context of the Companies' ongoing service issues being investigated in Docket No. UM 2206.

First, Staff and DOJ informed the Companies that to comply with Sections 4 and 8 of the Price Plan, the Companies would need to re-submit proposed PLBS price changes which comply with the Price Plan and re-notice these changes with customers (Option 1). This option is consistent with the plain language of the price plan. Lumen noted that the extended delay would result in a decrease of approximately $277,000 in collected revenue for the months during which the increased rates could not be collected.

Second, Staff and the Companies also discussed Lumen's requested approach, under which the Companies would supplement these advice filings with price decreases designed to reduce the PLBS increases which exceed $10 over the term plan to $10 (Option 2). This option creates administrative efficiency for both the Companies and the Commission by letting these changes go into effect through a supplemental filing, rather than re-submitting the filings and re-noticing these changes, but does allow the increases to go into effect sooner than under Option 1.

Consistent with that approach, on March 24, 2022, Lumen submitted those price decrease requests through ADV 1380 (Qwest), ADV 1381 (United), and ADV 1382 (CenturyTel). The April 15, 2022, effective date of those proposed decreases is the same effective date for the proposed increases. As can be seen in the table below,

[10] Section 4(g) of the Price Plan only allows PLBS and EAS to be combined "for the purposes of bill simplification."

those decreases would reduce the previously identified PLBS increases that exceeded the $10 limit to $10.

If the Commission is inclined to look at the total effect of the two fillings, Option 2 would be consistent with the spirit of the Price Plan and produce final results compliant with the Plan's price caps. Section 8.a) of the Plan requires the Commission only be given one day notice of price decreases. Further Section 8.b) contains no requirement for noticing customers of price decreases. The increases contained in this approach would also meet the Section 8 notice requirements.

The difficulty in adopting this approach is that it essentially requires the Commission to concurrently approve both the increases in the initial filing, some of which exceed the $10 Plan limit, and the recently filed price decreases.

Table 4-6: Options for Reaching Price Plan Compliance

Table 4: ADV 1380 Qwest proposed decrease to OR PUC No. 33 Tariff

Service	USOC	Pre-Price Plan	Proposed Price	Proposed Price after Decrease	Cumulative Rate Change
Residence Flat Rate Service - Rate Group 1	1FR/JRG/RUA	$15.80	$27.00	$25.80	***$10.00***
Residence Flat Rate Service - Rate Group 2	1FR/JRG/RUA	$16.80	$27.00	$26.80	***$10.00***

Table 5: ADV 1382 CenturyTel proposed decrease to OR PUC No. 6 Tariff

Service	Pre-Price Plan	Proposed Price	Proposed Price after Decrease	Cumulative Rate Change
Flat Rate Service (Rate Group 1)	$15.48	$27.00	$25.48	***$10.00***

Table 6: ADV 1381 United proposed changes to OR PUC No. 4 Tariff

Service	Pre-Price Plan	Proposed Price	Proposed Price after Decrease	Cumulative Rate Change
One-Party Flat Rate Service	$16.43	$27.00	$26.43	***$10.00***

Investigation into Service Issues and Option to Investigate Price Plan
In UM 2206, the Commission approved an investigation of service issues Qwest is facing in the Jacksonville area. In its memo recommending that investigation, Staff noted that the Companies have avenues to seek recovery of the costs associated with restoring service in the Jacksonville, or any area, under their Price Plan. At the February 22, 2021, Public Meeting, Lumen representatives indicated that it was facing cost pressures in dealing with the Jacksonville service issues.[11] Staff provides a third option to the Commission here, which is to reject the Companies' price increase here and open an investigation into the Companies' Price Plan (Option 3).

Section 5, Facility Improvement Surcharge, of the Companies' Price Plan allows the Companies to file for a Facility Improvement Charge which allows for the option of billing a non-discriminatory surcharge on all customers at a uniform rate to recover facilities-related costs. However, the rate of the surcharge is counted against the annual and plan-term price increase caps on residential PLBS, thereby shielding customers of residential PLBS from an effective rate increase any greater than the plan's rate increase caps of $3.00 per year and $10.00 per Price Plan. As described earlier, the PLBS increases contained in ADVs 1370, 1374, and 1375 result in the Companies utilizing the entirety of the $10 per Price Plan increase for some PLBS customers. As a result of the decision regarding the pricing of its PLBS service, the Companies would not be able to utilize the Facility Improvement Surcharge during this Price Plan term. The Facility Improvement Surcharge and its relationship to the Jacksonville service issues remains part of Staff's investigation into potential solutions.

Section 2 of the Price Plan contains the following regarding its objectives:

1. Ensure a framework for offering telecommunications service that is in the public interest;
2. Ensure high quality of existing telecommunications services and make new services available;
3. Produce prices for CenturyLink's retail telecommunications services that are just and reasonable;
4. Maintain the availability of Primary Line Basic Service at affordable rates throughout CenturyLink's service territory;

[11] Staff issued an Information Request (IR) in UM 2206 regarding the Company's use of the Facility Improvement Surcharge, asking Lumen to "[. . .] explain why the Company has never exercised this option to address the failing infrastructure in the rural areas of Oregon as described by the Company at the February 22, 2022 Public Meeting." As of the writing of this memo, Lumen had not responded to that IR.

5. Maintain the appropriate balance between the need for regulation and existing competition in Oregon for voice communication services; and
6. Simplify and reduce the burden of regulation for CenturyLink and the Commission.

As can be seen above, Section 2 deals with ensuring the high quality of existing telecommunication services. As currently written, the Price Plan does not require the Company to implement a Facility Improvement Surcharge in this instance.

The Commission has the option to open an investigation on its own motion into the Companies' Price Plan at any time to determine whether further adjustments to the Plan, such as requiring the Companies to implement a Facility Improvement Surcharge, or termination of the Plan, is required by the public interest.[12] Among other things, one factor the Commission must consider when determining whether the Price Plan is in the public interest is whether the Price Plan "[e]nsures high quality of existing telecommunications services that are just and reasonable."[13] Staff plans to present the option to investigate the Price Plan in Docket No. UM 2206 if the Commission decides to take a different option here.

Staff notes that, if the Commission were to open an investigation into the Price Plan, the Parties agreed in the Stipulation adopted in Order No. 18-359 that they would not advocate for rates that are lower than those that were in effect one year prior to the initiation of the proceeding to terminate the Price Plan.

Conclusion

In summary, as discussed above, Staff provides three options for the Commission to consider regarding these filings:

Option 1: The Commission adheres to the plain language of the Price Plan and rejects the Companies' filings. This approach means the Company would need to re-submit proposed PLBS price changes which comply with the Price Plan. After discussion between Staff and the Companies, this option would result in the loss of approximately $277,000 in revenue due to the delay in the increase required to meet the Commission and customer notice requirements in the Price Plan.

[12] ORS 756.515.
[13] ORS 769.255(2)(b).

Option 2: Approve the rate increases as initially filed and as amended by the decreases filed on March 24, 2022, effective on April 15. This approach will bring the Companies' proposed PLBS price changes back into compliance with the Price Plan by ensuring that no customers will receive a PLBS increase of more than the $10 maximum increase per the Price Plan. Additionally, this approach creates administrative efficiency for both the Companies and for Staff by avoiding re-submitting and re-noticing the proposed price changes and avoids the associated loss of revenue.

Option 3: Reject the Companies' filing based on the reasons outlined in Option 1 and open an investigation under ORS 756.515 to determine whether adjustments to the Price Plan or termination of the Price Plan would be in the public interest. Rejecting the filing and opening the investigation now would prevent a rate increase from going into effect. Staff notes that it will present this option again in Docket No. UM 2206 within the next few months as a solution to the Companies' ongoing service issues.

Staff concludes that all other increases other than those specified in this memo are within compliance with the price plan.

PROPOSED COMMISSION MOTION:

Reject the advice filings made by Qwest, CenturyTel, and United.

ADV.1370/1374/1375.Qwest.CenturyTel,United.Price Plan Rate Increase.EAS Rate Decrease.