ITEM NO. CA 3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 13, 2016

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** NA

DATE: August 31, 2016

TO: Public Utility Commission

FROM: Jim Stanage and Stephen Hayes

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck

SUBJECT: QWEST CORPORATION:
(Docket No. ADV 329/Advice No. C55-2016, Docket No. ADV 330/Advice No. C56-2016, Docket No. ADV 331/Advice No. C57-2016, Docket No. ADV 332/Advice No. C58-2016, Docket No. ADV 333/Advice No. C59-2016, Docket No. ADV 338/Advice No. C60-2016, Docket No. ADV 340/Advice No. C61-2016, Docket No. ADV 347/Advice No. C62-2016, Docket No. ADV 348/Advice No. C63-2016, Docket No. ADV 349/Advice No. C64-2016, Docket No. ADV 355/Advice No. C65-2016, Docket No. ADV 356/Advice No. C66-2016, Docket No. ADV 357/Advice No. C67-2016, Docket No. ADV 358/Advice No. C68-2016, Docket No. ADV 359/Advice No. C69-2016 and Docket No. ADV 361/Advice No. C70-2016)
Establishes Special Contracts submitted pursuant to ORS 759.250(5).

STAFF RECOMMENDATION:

Staff recommends that the Commission take no action with regard to these filings. If the Commission does not act within 90 days of the filings, the respective special contracts are deemed approved.

DISCUSSION:

Docket No. ADV 329/Advice No. C55-2016
Qwest Corporation d/b/a CenturyLink QC (Qwest) proposes to establish a 24-month special contract with a confidential customer for Integrated Services Digital Network Primary Rate Service (ISDN-PRS). The ISDN-PRS is being provided under the contract at a monthly rate of $400.00 per unit, which represents a 45 percent discount off the regularly tariffed rate of $725.00.

Docket No. ADV 330/Advice No. C56-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $375.00 per unit, which represents a 40 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 331/Advice No. C57-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $490.00 per unit, which represents a 22 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 332/Advice No. C58-2016
Qwest proposes to establish a 24-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $560.00 per unit, which represents a 23 percent discount off the regularly tariffed rate of $725.00.

Docket No. ADV 333/Advice No. C59-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $325.00 per unit, which represents a 48 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 338/Advice No. C60-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $475.00 per unit, which represents a 24 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 340/Advice No. C61-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $299.00 per unit, which represents a 52 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 347/Advice No. C62-2016
Qwest proposes to establish a 12-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $540.00 per unit, which represents a 30 percent discount off the regularly tariffed rate of $775.00.

Docket No. ADV 348/Advice No. C63-2016
Qwest proposes to establish a 24-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $560.00 per unit, which represents a 23 percent discount off the regularly tariffed rate of $725.00.

Docket No. ADV 349/Advice No. C64-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $475.00 per unit, which represents a 24 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 355/Advice No. C65-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $375.00 per unit, which represents a 40 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 356/Advice No. C66-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $375.00 per unit, which represents a 40 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 357/Advice No. C67-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $300.00 per unit, which represents a 52 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 358/Advice No. C68-2016
Qwest proposes to establish a 24-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $330.00 per unit, which represents a 54 percent discount off the regularly tariffed rate of $725.00.

Docket No. ADV 359/Advice No. C69-2016
Qwest proposes to establish a 36-month special contract with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of $250.00 per unit, which represents a 60 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 361/Advice No. C70-2016
Qwest proposes to establish a 24-month special contract with a confidential customer for Line Volume Plan services, including One-party Flat Rate Business (1FB) Lines with Hunting, Choice Business, Choice Business Plus, Choice Business Add-A-Line, and Choice Business Prime. The services are being provided under the contract at rates that are equal to the regular monthly tariff rates, but the customer avoids the risk of incurring additional charges for failing to meet its minimum line subscription threshold requirement.

Review Procedures
Although the form of regulation that applies to Qwest changed November 12, 2008, pursuant to ORS 759.255 and the regulatory plan allowed by the Commission under Order Nos. 08-408 and 14-346 (UM 1354), its services offered through special contracts remain fully regulated. Thus, Qwest special contracts for its regulated services are still subject to ORS 759.250. This statute allows telecommunications utilities 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 (LRIC) 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, staff may recommend that the Commission reject the contract.

Two areas of importance in assessing special contracts were identified in Order No. 92-651 (UM 254), a generic docket to consider procedures and guidelines for special contract filings. These are the reasonableness of the contract rates and discrimination. Statutes that address these areas are ORS 759.210, classification of service and rates, and ORS 759.260, unjust discrimination.

Staff's analysis regarding conformance with 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 (i.e., a "prudency review").

To determine conformance with ORS 759.260, staff determines if the special contract avoids unjust discrimination and is dependent upon the outcome of the analyses outlined above. The statute does not restrict the Commission from subsequent scrutiny of the reasonableness of special contracts for ratemaking purposes.

The company submitted financial analyses that show the proposed rates cover the company's estimated LRIC for the contract service(s).

Conclusions
Staff has investigated these filings and finds that they comply with Order No. 92-651 (UM 254) and the memorandum of understanding between staff and the company referenced in the order, the contracted services are subject to competition, the contract prices cover the company's cost for each respective service, and the company would offer the discounted contract prices to any similarly situated customer requesting them.

PROPOSED COMMISSION MOTION:

Take no action with regard to these filings. Pursuant to ORS 759.250, if the Commission does not act within 90 days of the filings, these special contracts are deemed approved.