ITEM NO. CA 3

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 10, 2017

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

DATE: December 28, 2016

TO: Public Utility Commission

FROM: Jim Stanage and Malia Brock

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck

SUBJECT: QWEST CORPORATION:
(Docket No. ADV 395/Advice No. C87-2016, Docket No. ADV 396/ Advice No. C88-2016, Docket No. ADV 397/Advice No. C90-2016, Docket No. ADV 398/Advice No. C86-2016, Docket No. ADV 399/ Advice No. C89-2016, Docket No. ADV 400/ Advice No. C91-2016, Docket No. ADV 401/Advice No. C92-2016, Docket No. ADV 402/ Advice No. C93-2016, Docket No ADV 404/Advice No. C94-2016, Docket No. ADV 405/Advice No. C95-2016, Docket No. ADV 406/ Advice No. C96-2016, Docket No. ADV 407/Advice No. C97-2016, Docket No. ADV 414/Advice No. C98-2016, Docket No. ADV 415/ Advice No. C99-2016, Docket No. ADV 416/Advice No. C100-2016, Docket No. ADV 417/Advice No. C101-2016, Docket No. ADV 418/ Advice No. C102-2016, Docket No. ADV 419/Advice No. C103-2016, Docket No. ADV 421/Advice No. C104-2016, Docket No. ADV 422/ Advice No. C105-2016, Docket No. ADV 444/Advice No. C107-2016, Docket No. ADV 445/Advice No. C108-2016) 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 395/Advice No. C87-2016
Qwest Corporation d/b/a CenturyLink QC (Qwest) proposes to establish a 36-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 $375.00 per unit, which represents a 40 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 396/Advice No. C88-2016
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 $460.00 per unit, which represents a 26 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 397/Advice No. C90-2016
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 $475.00 per unit, which represents a 39 percent discount off the regularly tariffed rate of $775.00.

Docket No. ADV 398/Advice No. C86-2016
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 $300.00 per unit, which represents a 61 percent discount off the regularly tariffed rate of $775.00.

Docket No. ADV 399/Advice No. C89-2016
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 $460.00 per unit, which represents a 26 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 400/Advice No. C91-2016
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 401/Advice No. C92-2016
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 402/Advice No. C93-2016
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 404/Advice No. C94-2016
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 405/Advice No. C95-2016
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 an *average* monthly rate of $450.00 per unit, which represents a 28 percent discount off the regularly tariffed rate of $625.00.

Docket No. ADV 406/Advice No. C96-2016
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 $600.00 per unit, which represents a 23 percent discount off the regularly tariffed rate of $775.00.

Docket No. ADV 407/Advice No. C97-2016
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 $585.00 per unit, which represents a 25 percent discount off the regularly tariffed rate of $775.00.

Docket No. ADV 414/Advice No. C98-2016
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 415/Advice No. C99-2016
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 416/Advice No. C100-2016
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 417/Advice No. C101-2016
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 418/Advice No. C102-2016
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 419/Advice No. C103-2016
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 $550.00 per unit, which represents a 24 percent discount off the regularly tariffed rate of $725.00.

Docket No. ADV 421/Advice No. C104-2016
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 $290.00 per unit, which represents a 60 percent discount off the regularly tariffed rate of $725.00.

Docket No. ADV 422/Advice No. C105-2016
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 $555 per unit, which represents a 28 percent discount off the regularly tariffed rate of $775.

Docket No. ADV 444/Advice No. C107-2016
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 $350.00 per unit, which represents a 52 percent discount off the regularly tariffed rate of $725.00.

Docket No. ADV 445/Advice No. C108-2016
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.

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.