

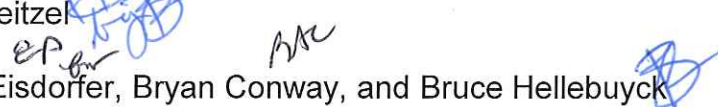
PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 23, 2018

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ NA \_\_\_\_\_

DATE: October 2, 2018

TO: Public Utility Commission

FROM: Russ Beitzel 

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck 

SUBJECT: QWEST CORPORATION: (Docket No. ADV 835/Advice No. C71-2018)  
Establishes Special Contract submitted pursuant to ORS 759.250(5).

**STAFF RECOMMENDATION:**

Staff recommends that the Commission take no action with regard to this filing. If the Commission does not act within 90 days of the filing, the special contract is deemed approved.

**DISCUSSION:**

Docket No. ADV 835/Advice No. C71-2018

Qwest proposes approval of a 24-month special contract with a confidential customer for a discount arrangement for Integrated Services Digital Network Primary Rate Service (ISDN-PRS). The ISDN-PRS is being provided under the contract at a monthly rate of \$387.00 per unit, which represents a 47 percent discount off the regularly tariffed rate of \$725.00.

**STAFF ANALYSIS**

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, 14-346 (UM 1354) and under Order No. 18-359 (UM 1908), 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 a financial analysis that shows the proposed rate covers the company's estimated LRIC for the contract service.

Conclusions

Staff has investigated this filing and finds that it complies with Order No. 92-651 (UM 254) and the memorandum of understanding between staff and the company referenced in the order, the contracted service is subject to competition, the contract price covers the company's cost for the service, and the company would offer the discounted contract price to any similarly situated customer requesting it.

**PROPOSED COMMISSION MOTION:**

Take no action with regard to this filing. Pursuant to ORS 759.250, if the Commission does not act within 90 days of this filing, this special contract is deemed approved.