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September 7, 2018

Via eFiling Only

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Re: UM 1908 – Joint Testimony

Dear:

Attached for filing in the above entitled matter please find the Joint Parties' Joint Testimony.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Carla M. Butler
Paralegal

Attachment

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I. INTRODUCTION

Q. Please state your names and positions.

A. My name is Phil Grate. I am Director of Regulatory Affairs for CenturyLink in Oregon and Washington. I am testifying on behalf of Qwest Corporation d/b/a CenturyLink QC ("CenturyLink QC"), United Telephone Company of the Northwest d/b/a CenturyLink ("United"), CenturyTel of Oregon d/b/a CenturyLink ("CTL Oregon"), and CenturyTel of Eastern Oregon d/b/a CenturyLink ("CTL Eastern Oregon") (collectively "CenturyLink"). My witness qualifications statement is included as Exhibit 101 to this testimony.

My name is Stephen Hayes. I am Senior Telecommunications Analyst in the Telecommunications and Water Division of the Public Utility Commission of Oregon. My witness qualifications statement is included as Exhibit 102 to this testimony.

My name is Samuel Pastrick. I am the Outreach Manager of the Oregon Citizens' Utility Board ("CUB"). My witness qualifications statement is included as Exhibit 103 to this testimony.

Q. What is the purpose of your joint testimony?

A. The purpose of the joint testimony is to describe and support the stipulation ("Stipulation") amongst CenturyLink, Staff of the Public Utility Commission of Oregon ("Staff"), and CUB ("Parties to the Stipulation" or the "Joint Parties") filed in Docket UM 1908 on September 5, 2018. The subject of Docket UM 1908 is CenturyLink's Amended Joint Petition for Price Plan, filed on December 27, 2017. CenturyLink QC is currently regulated under a price plan set to expire on October 3, 2018. United, CTL Oregon, and CTL Eastern Oregon are currently regulated under a price plan set to expire on October 7, 2018. In this filing, CenturyLink

proposes to establish a unified Price Plan that will govern CenturyLink QC, United, CTL Oregon, and CTL Eastern Oregon. The term "Petition" as used in the Stipulation and in this joint testimony refers to CenturyLink's petition for approval of the price plan in the form attached to the Stipulation as Appendix A and its exhibit (the "Price Plan" or "Plan").

Q. Do the Joint Parties believe the Stipulation resolves all of the issues in this proceeding?

A. Yes. The Joint Parties support the Stipulation and the Price Plan and agree that the Commission should issue an order approving the Petition, the Stipulation, and the Price Plan in their entirety.[1]

Q. Do the Parties take different positions regarding the Price Plan?

A. To a certain extent, yes. As the Stipulation states, the Stipulation and Plan represent compromises in the positions of the Joint Parties, who negotiated the Stipulation as an integrated document and recommend that the Commission adopt the Stipulation and Price Plan in their entirety.[2] CenturyLink, Staff and CUB, in sponsoring this joint testimony, assert that the terms of the stipulated Plan satisfy the statutory public interest criterion under ORS 759.255(2)(a)-(d).[3]

Q. Are all parties to the proceeding included in the Stipulation?

A. Yes.

Q. If the Commission rejects any part of the Stipulation, are the Parties entitled to reconsider their participation in the Stipulation?

[1] Stipulation ¶¶ 2, 8, 14.
[2] Stipulation ¶¶ 8, 15.
[3] Stipulation ¶ 12.

A. Yes. The Stipulation provides that if the Commission were to reject all or any material part of this Stipulation or the Price Plan, or imposes additional material conditions in approving the Stipulation and the Price Plan, any Party disadvantaged by such action shall have the right, upon written notice to the Commission and all other Parties within 15 business days of the Commission's order, to withdraw from the Stipulation, seek reconsideration or appeal of the Commission's order, or both.[4] The Stipulation provides that prior to such Party's withdrawal, it shall engage in good faith negotiation with the other Joint Parties. No Party withdrawing from the Stipulation shall be bound to any position, commitment, or condition of this Stipulation.[5]

Q. What other terms does the Stipulation include?

A. The Stipulation represents negotiated compromises among the Parties. Accordingly, the Stipulation provides that the Parties agree that no Party will be deemed to have approved, admitted to, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation, other than as specifically identified in this Stipulation.[6] No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as expressly identified in the Stipulation.[7]

Q. How is your testimony organized?

A. This testimony is organized as follows:

I. Introduction.....1

[4] Stipulation ¶ 15.
[5] *Id.*
[6] Stipulation ¶ 16
[7] *Id.*

II. Procedural History 4
III. Driving Forces Behind CenturyLink's Petition 5
IV. Overview of the Plan's Key Terms and Conditions 13
V. The Price Plan Meets the Requirements of ORS 759.255 38
VI. Recommendation 55

II. PROCEDURAL HISTORY

Q. What is the procedural history in this docket?

A. On October 22, 2017, CenturyLink filed a petition with the Commission for a price plan under ORS 759.255 and a request for exemption from certain statutes under ORS 759.052. On December 5, 2017 the Commission ordered CenturyLink to amend and refile its petition without the request for exemption. CenturyLink filed its amended petition December 27, 2017. CenturyLink's amended petition seeks a price plan ("Price Plan" or "Plan") that will replace the two Price Plans the Commission approved in October of 2014 in Orders No. 14-346 and 14-347 ("2014 Plans").

The Oregon Citizens' Utility Board (CUB) filed its notice of intervention on November 8, 2017, as allowed under ORS 774.180. On February 7, 2018, the Commission held a prehearing conference attended by CenturyLink, CUB and Staff. During the prehearing conference, ALJ Allan J. Arlow adopted a procedural schedule of certain dates to which the parties agreed for interventions, workshops and settlement conferences, and status reports back to the ALJ. The Joint Parties held workshop/settlement conferences on March 6, 2018, April 9, 2018, and July 20, 2018. The Joint Parties came to an agreement in principle at the July 20, 2018

workshop/settlement conference and both finalized and filed the Stipulation document with the Commission on September 5, 2018.

III. DRIVING FORCES BEHIND CENTURYLINK'S PETITION

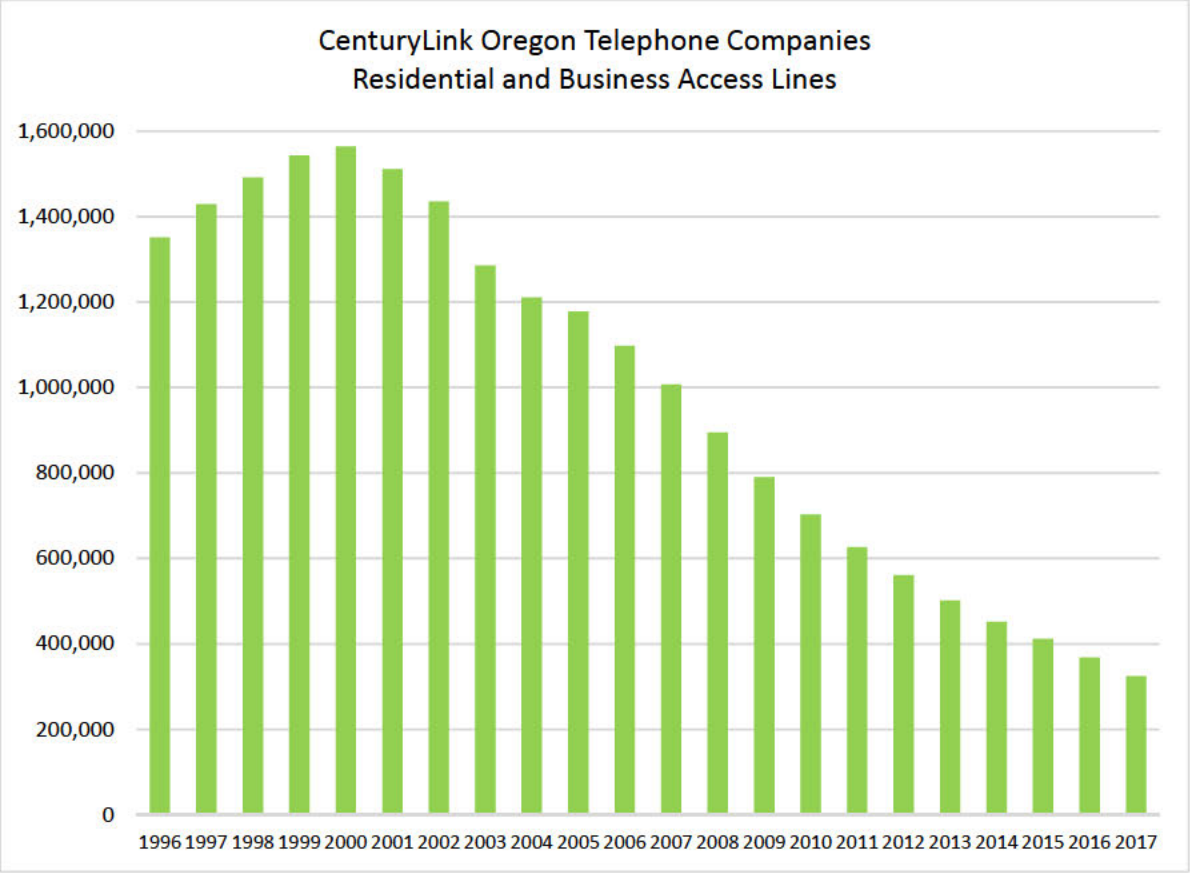
Q. What led CenturyLink to file for the Price Plan at this time?

A. The 2014 Plans, which expire October 3 and October 7 of 2018, require CenturyLink to file for a new plan or another form of regulation. CenturyLink offers several further assertions regarding its motivation to file for pricing flexibility under a price plan rather than another form of regulation. These assertions do not represent an agreement by the Parties to the Stipulation on those issues. CenturyLink asserts that for it to remain a viable service provider, further reductions in regulation and greater pricing flexibility in a new price plan under ORS 759.255 are appropriate given continued competitive losses and a need to further transition toward parity of regulation between CenturyLink and its competitors.

In Price Plan Performance Reports ("Performance Reports") filed January 4, 2017 for CenturyLink QC and January 6, 2017 for United, CTL of Oregon and CTL of Eastern Oregon, CenturyLink provided an analysis of market conditions and asserts that the telecommunications market in Oregon is exceptionally competitive and that the mix of competitive telecommunications alternatives continues to grow and evolve. CenturyLink asserted that traditional competitors continue to aggressively compete with CenturyLink. CenturyLink asserted that those competitors include the major cable companies, such as Comcast, Charter and BendBroadband, which serve in portions of CenturyLink's Oregon territory including most of the major cities and towns, and a number of Competitive Local Exchange Carriers ("CLECs") such as Integra, XO, AT&T, and Verizon. CenturyLink further asserts that at the same time,

intermodal voice services from wireless companies such as AT&T, Verizon, Sprint and T-Mobile, and Voice over Internet Protocol ("VoIP") services from companies like Vonage and Google, have gained a significant share of the telecommunications market in the state. CenturyLink asserted Oregon consumers and businesses have numerous alternatives to meet their local voice calling and broadband needs.

CenturyLink asserts the voice telecommunications industry is undergoing wrenching technological and market changes. The following graph charts CenturyLink's assertions about its year-end retail access line count since 1996.



CenturyLink asserts that its residential and business access line count peaked at nearly 1.6 million at year-end 2000 and has declined every year since. As of June 30, 2018, CenturyLink reports that

its Oregon business and residential access line count stood at 303 thousand, a decrease of 1,260 thousand and a decline of 81 percent since the peak.

CenturyLink asserts it faces robust competition throughout its service territory in Oregon that continually erodes CenturyLink's customer base and revenues. Adjusted for inflation, CenturyLink asserts that its Oregon jurisdiction revenues have declined 78 percent. CenturyLink further asserts that while its annual revenues derived from services under the Oregon PUC's jurisdiction have declined 78 percent in 16 years, its Oregon service territory assigned to it by the Commission is the same size it was in 2001 as is the network to serve that territory.

CenturyLink asserts having far less revenue to support the same size network is important because CenturyLink labors under a carrier of last resort burden not borne by its competitors who operate without rate regulation and with fewer regulatory obligations than CenturyLink. CenturyLink asserts that its ILEC affiliates alone bear the obligation to offer voice service throughout its service territory.

CenturyLink asserts that it must be allowed pricing flexibility to generate revenue sufficient to continue to operate and maintain a voice network for its remaining customers for as long as possible. CenturyLink asserts that without sufficient customer revenue and Oregon Universal Service Fund support it will be financially compelled to decommission its circuit switched network in Oregon and that it follows that a price plan must be designed to minimize further harm to CenturyLink's already badly eroded Oregon jurisdiction revenue.

Q. Do all of the parties agree with CenturyLink's assertions regarding competition?

A. No. CUB and Staff take no position on the validity of CenturyLink's claims regarding competition in Oregon. Nor need they; ORS 759.255 does not require the Commission to make

a finding on competition in order for it to approve a price plan. Furthermore, Staff and CUB note that any statements or inferences about competition, revenues, and return on investment, are asserted exclusively by CenturyLink. CUB and Staff do not necessarily agree that these assertions are accurate.

Finally, the Stipulation is a compromise by all parties to obtain settlement. Only issues to which the Joint Parties affirmatively agreed in the Stipulation represent joint positions. As is necessary for this particular proceeding, and as is discussed later in this testimony, the Joint Parties agree that approval of the Price Plan is in the public interest and satisfies the standards for review required under ORS 759.255(2). The Joint Parties unanimously recommend that the Commission approve the Stipulation and the Price Plan in their entirety.

IV. OVERVIEW OF THE PRICE PLAN'S KEY TERMS AND CONDITIONS

Q. Please provide a high-level summary of the major pricing features of the Price Plan.

A. The Plan provides CenturyLink greater pricing flexibility, enabling the Company to more readily establish prices at commercially sustainable rates than do the 2014 Plans. The Plan also waives certain statutes and rules which will reduce CenturyLink's reporting and regulatory burdens. One Plan would apply to all four companies that are the subject of this Petition. The ability of these companies to begin to unify certain pricing and unify terms and conditions across entities may improve billing system, call center, and collateral efficiencies, should the companies choose to make use of this flexibility under the Plan.

<u>Plan Term</u>

The initial term of the Plan is four years.[8] It renews automatically for successive four-year terms, unless suspended or modified.[9] After the Plan has been in effect two years, CenturyLink may file a petition seeking modifications to it.[10] CenturyLink must file a progress report on the Plan's third anniversary to inform the Commission's review of CenturyLink's performance under the Plan.[11]

Availability of Service

The Plan requires CenturyLink to continue to offer residential and business Primary Line Basic Service (PLBS) on a stand-alone basis.[12] This testimony refers frequently to PLBS, which is defined in the Plan as the first line only of basic local exchange service for an individual residential or business customer account at a single location that is not sold as part of a package, including flat rate and measured service.[13] More generally, PLBS is voice telecommunications service with inward and outward dialing capabilities, without any call features such as call-forward and caller-ID. In addition to local calling, PLBS provides, among other things, access to E911 dispatch centers and access to carriers for long distance calling plans.

[8] Appendix A § 3.a.
[9] *Id.*
[10] Appendix A § 3.b.
[11] Appendix A § 3.c.
[12] Appendix A § 4.b.
[13] Appendix A § 1.g. The Plan's definition does not change the Commission's definition of basic or essential service under Division 32 of the Commission's rules.

Residential Service

The Plan allows recurring monthly charges for residential PLBS to increase by a maximum of $10.00 per month over the Plan's four-year term and by not more than $3.00 in any Plan year.[14] The Plan allows non-recurring charges for residential PLBS to increase a maximum of $10.00 during any four-year term.[15] The Plan allows monthly rates for "Other Services" for residential customers to increase up to 50 percent or $.50 annually, whichever is greater.[16] The Plan limits the cumulative price increase for any residential Other Service to 200 percent over a four-year Plan term.

Measured Residential Service

The Plan caps the monthly rate any CenturyLink telecommunications utility can charge for the line component of measured residential service at 80 percent of that telecommunications utility's recurring monthly rate for flat rate residential PLBS and caps usage charges at current rates.[17]

Residential Packages and Bundles

The Plan imposes no caps on residential packages and bundles other than requiring that a residential package or bundle price not exceed the sum of the stand-alone retail prices of all available services in the package or bundle.[18] Regulated telecommunications services offered as part of a package or bundle must also remain separately available for purchase.[19]

[14] Appendix A § 4.e.i.
[15] Appendix A § 4.c
[16] Appendix A § 4.k.
[17] Appendix A § 4.e.ii.
[18] Appendix A § 4.r.ii.
[19] Appendix A § 4.r.i.

Business Services

The Plan imposes no price limits on business services,[20] except to limit the rate that United, CTL Oregon, and CTL Eastern Oregon can charge for business PLBS to the rate CenturyLink QC charges for PLBS in its Rate Group 2.[21]

Rate de-averaging

The Plan prohibits CenturyLink from further geographic de-averaging of its rates.[22] This condition removes any concerns that CenturyLink would increase rates to a greater degree where relatively fewer competitive options are available than in areas where relatively more options are available.

Q. Please describe how the Price Plan treats residential service.

A. As described more fully below, the Price Plan allows substantial increases in most of CenturyLink's residential service prices but also requires CenturyLink to continue to offer standalone residential PLBS.

Availability of service

The Price Plan defines residential PLBS to include the first line only of residential single party flat rate local exchange service or residential single party measured local exchange service.[23] The Price Plan requires CenturyLink to continue to make stand-alone residential PLBS available throughout its service area for the term of the Plan.[24]

[20] Appendix A § 4.d,f,k.
[21] Appendix A § 4.f.ii.
[22] Appendix A § 5.
[23] Appendix A § 1.g.
[24] Appendix A § 4.b.

Residential Primary Line Basic Service rate cap: Flat-rated service

The Price Plan allows CenturyLink to increase its recurring monthly rates for residential PLBS by no more than $3.00 in any Plan year and by no more than $10.00 over the four-year term of any Plan.[25] Additionally, the Plan prohibits CenturyLink from further de-averaging the pricing of any existing regulated services that are currently de-averaged so that the *number* of different rates that CenturyLink charges for residential PLBS will not increase.[26] The Plan also prohibits CenturyLink from increasing the existing dollar differences between rate groups for residential PLBS rates and permits CenturyLink to reduce any differences in price between these rate groups.[27]

Residential Primary Line Basic Service rate cap: Measured service

In addition to offering residential PLBS at a monthly flat rate with unlimited usage, CenturyLink offers a measured service that has a lower monthly rate and per-minute charges for calls.

Currently, CTL Oregon and CTL Eastern Oregon offer residential local measured service for $11.55 per month in Rate Group I and $16.55 per month in Rate Group II[28] plus $.03 per minute for calls placed within a customer's local exchange. A 50 percent discount applies to originating minutes between 5 p.m. and 8 a.m. weekdays, and all day Saturday, Sunday, and holidays.[29]

United offers residential measured service for a recurring monthly rate of $10.07.[30] Usage is $.05 for the first minute and $.03 for additional minutes of use. A 25 percent time-of-day

[25] Appendix A § 4.e.i.
[26] Appendix A § 4.s.i.
[27] Appendix A § 4.s.ii.
[28] CenturyTel of Oregon, Inc. d/b/a CenturyLink OR PUC No. 6 Section 5.2.C.1.
[29] CenturyTel of Oregon, Inc. d/b/a CenturyLink OR PUC No. 6 Section 5.3.
[30] United Telephone Company of the Northwest Tariff PUC OR No. 4 Section 5 2nd revised page 6.

discount applies to calls between 5:00 p.m. and 11:00 p.m. Sunday through Friday. A 50 percent time-of-day discount applies to calls between 11:00 p.m. and 8:00 a.m. every day and to weekend calls.[31]

CenturyLink QC's recurring monthly rate for measured service is $9.37. The price per minute is $.03 for calls inside the subscriber's local calling area and $.04 per minute for calls outside the subscriber's local exchange boundary. Subscribers can buy a three-hour usage package for $2.40 and a six-hour usage package for $4.60.[32]

The Price Plan requires CenturyLink to continue to offer residential PLBS measured service[33] and sets the cap for the line component at 80 percent of CenturyLink's flat rate primary line basic residential service for the same wire center.[34] The Plan caps rates for the usage component of residential measured service at Pre-Plan rates.[35] The Plan allows CenturyLink to file a petition proposing modifications to the Plan no sooner than the second anniversary of each four-year Plan term.[36] It follows that CenturyLink's first opportunity to seek to grandfather or discontinue residential measured service, which were mentioned in CenturyLink's initial proposal in this Petition, is the second anniversary of the Plan. Staff and CUB do not now take a position on whether they would support such a request at that time.

<u>Non-recurring charges for residential Primary Line Basic Service</u>

[31] United Telephone Company of the Northwest Tariff PUC OR No. 4 Section 5 original page 14.
[32] Qwest Corporation Tariff P.U.C. Oregon No. 33 Section 5.2.1.D.
[33] Appendix A § 4.b.
[34] Appendix A § 4.e.ii.
[35] *Id.*
[36] Appendix A § 3.b (permitting CenturyLink to seek modification of the Plan not sooner than the second anniversary of any Plan term).

Non-recurring charges for residential PLBS are the charges CenturyLink may bill for establishment of residential PLBS or a change of such service. The Plan provides that non-recurring charges for residential PLBS may increase a maximum of $10 during any four-year Plan term.[37]

Extended Area Service (EAS)

Extended Area Service (EAS) allows a subscriber to call other, nearby wire centers with which the Commission has determined a community of interest exists. Historically, telecommunications utilities established EAS to allow subscribers to call nearby communities without paying long-distance tolls.[38] All CenturyLink companies provide EAS. The Plan caps the rates for mandatory EAS at the pre-plan rates with no increases allowed during the term of the Plan. The Plan allows CenturyLink to combine the mandatory EAS charge with the residential primary basic line rate and display them as a single line item to simplify billing. The Plan exempts CenturyLink from establishing any new or expanded EAS routes while it operates under the Price Plan.[39]

[37] Appendix A § 4.c.
[38] See Harry Newton, Newton's Telecom Dictionary 469 (30th Ed, 2016) (referring to EAS as "a novel name for a larger than normal local telephone calling area").
[39] Appendix A § 4.g.

Other Services and Features

Other Services are services not specifically addressed elsewhere in the Price Plan.[40] The Plan provides that annual increases in monthly rates for residential "Other Services" may not exceed the greater of 50 percent or $0.50. The Plan caps the cumulative price increase for any residential Other Service over a four-year Plan term to 200 percent. Within 60 days of receiving notice of a price increase to "Other Services," business and residential customers who request removal of any service contained in "Other Services" will not incur a nonrecurring charge for the removal of the service.[41]

The Other Services category includes residential call features which are typically central office-based services that enhance the functionality of residential PLBS. Examples include call forwarding, call waiting, speed calling and caller ID. CenturyLink offers residential customers features in three basic ways: 1) stand-alone where customers purchase features individually; 2) packages of services that include residential PLBS and features; and 3) bundles of regulated services combined and offered with non-regulated services. For purposes of this Plan, features are included in the “Other Services” category and are subject to the pricing flexibility described above.

The Plan requires CenturyLink to offer separately all regulated telecommunications services offered as part of a package or bundle.[42] So CenturyLink must provide as a standalone service each and every feature offered in a package or bundle. As discussed further below, the Plan separately addresses Toll Restriction, Call Trace, Unlisted Numbers and Non-Published Numbers.

Q. Please describe how the Price Plan treats business services.

A. The Price Plan ensures the continued availability of standalone business PLBS while granting CenturyLink nearly unfettered pricing freedom on all its business services.[43]

Availability of business service

The Price Plan preserves the availability of standalone business PLBS throughout CenturyLink's assigned serving area during the Plan's full term.[44] The Plan defines business PLBS to include the first line only of business single party flat rate local exchange service or business single party measured local exchange service, including local exchange usage.[45] The requirement to provide standalone business PLBS allows Oregon businesses in CenturyLink's service territory to purchase a basic business line from CenturyLink without being obliged to purchase additional features, a package or a bundle.

Business service price caps

With two exceptions, the Price Plan provides that CenturyLink's recurring rates and non-recurring charges for business services are not subject to price caps or other pricing restrictions.[46] The first exception is that the Price Plan prohibits CenturyLink from further deaveraging its business rates[47] and from increasing the dollar differences for prices between its business PLBS rate groups.[48] The second exception is that the Plan limits the business PLBS rate that United, CTL Oregon and CTL Eastern Oregon may charge to no more than the rate CenturyLink QC

[40] Appendix A § 1.c.
[41] Appendix A § 4.k
[42] Appendix A § 4.r.i
[43] Appendix A § 4.i.i, k.
[44] Appendix A § 4.b.
[45] Appendix A, § 1.g.
[46] Appendix A, § 4.f.i, k.
[47] Appendix A, § 4s.i.
[48] Appendix A, § 4s.ii.

charges for this service in Rate Group 2.[49] These exceptions shield customers in areas with fewer or no competitive choices from higher rates that CenturyLink might otherwise seek to charge.

DS-1, DS-3 and ISDN-PRI services

The Price Plan imposes no caps on DS-1, DS-3 and ISDN-PRI, which are services sold to businesses.[50] Intrastate DS-1 and DS-3 are point-to-point data services offered between locations within Oregon and that carry less than 10 percent interstate usage. ISDN-PRI is a switched service, which provides up to 23 voice and/or data channels with the voice channels having access to the public switched network. Medium to large business would typically order this service for inbound and/or outbound calling over a single facility.

Q. How does the Plan treat Directory Listings?

A. "Directory listing" service is the publication of the customer's name, address and phone number in a paper directory or in an on-line directory or both. The first listing is currently included with both residential PLBS and business PLBS. The Price Plan provides that CenturyLink will continue to include the first directory listing at no additional charge, including for customers who obtain PLBS in a package or bundle.[51] The Plan caps price increases for additional listings beyond the initial listing to no more than 25 percent in any Plan year.[52]

Q. How does the Price Plan treat Toll Restriction, Call Trace, Unlisted Numbers and Non-Published Numbers?

[49] Appendix A, § 4.f.ii.
[50] Appendix A § 4.n.
[51] Appendix A, § 4.h.i.
[52] Appendix A § 4.h.ii.

A. The Parties acknowledge a particular public interest in these services. Accordingly, the Plan caps the rates for Toll Restriction, Call Trace, and residential Unlisted Numbers at pre-plan rates for the duration of the Plan.[53] The Plan also caps price increases for Non-published Numbers and business Unlisted Numbers to no more than $1.00 in any Plan year and no more than $3.00 total over a four-year Plan term.[54] Following is a description of these services.

- Toll restriction is a functionality that may be added to a line, which restricts a line from being able to place long distance toll calls.
- Call trace is a service that permits CenturyLink to attempt to capture and record an originating calling party's name and/or phone number to provide this information to law enforcement in investigations in which the service subscriber is typically the victim.
- Residential unlisted numbers are a restriction placed on a customer's name, number and address that prevent that information from being made available for directories or callers to directory assistance. This may be used by a victim of abuse or stalking, among others, to restrict the availability of their number and address from being made available to directory assistance providers by the telecommunications service provider.

The approach described above reflects that business customers do not typically share the same privacy or safety concerns regarding the publication of names, numbers, and addresses as those of residential customers. Similarly, this approach reflects that Non-published numbers are similar to Unlisted numbers in that the customer's number is not printed or published in CenturyLink directories, but unlike Unlisted numbers, Non-published numbers are obtainable

[53] Appendix A § 4.j.i. and ii.
[54] Appendix A § 4.j.iii. and iv.

through directory assistance, so Non-published numbers are typically not associated with the same privacy or safety risks as are unlisted numbers.

Q. How does the Price Plan treat E911 Services?

A. E911 services include the services CenturyLink provides to public safety agencies for the provision of E911 service. The Parties acknowledge a particular public interest in E911 services. Accordingly, the Plan provides that the rates, terms and conditions for E911 services provided in CenturyLink's rate schedules as of the effective date of the filing of the Price Plan and Stipulation will remain at pre-Plan status, except that CenturyLink may petition the Commission separately for any proposed rate changes or price structures.[55]

Q. How does the Price Plan treat services provided under interconnection agreements?

A. The Price Plan makes no changes to any of CenturyLink's obligations under interconnection agreements (ICAs) or alter any obligations under 47 USC §§ 251 or 252.[56]

Q. How does the Price Plan treat switched access rates?

A. The Plan caps rates for intrastate switched access services at pre-Plan rates and the Commission may adjust the price caps if required by FCC action.[57]

Q. How does the Price Plan treat services identified in CenturyLink's Rate Schedules as "cost-based"?

[55] Appendix A, § 4.o.
[56] Stipulation ¶ 10.
[57] Appendix A § 4.p.

A. Some services contained in CenturyLink's rate schedules are offered "at cost." Services priced at cost in CenturyLink's Rate Schedules will continue to be priced at actual cost.[58]

Q. How will the Price Plan affect other regulated services, not specifically addressed in the Price Plan?

A. Prices for Other Services sold to businesses are not capped.[59] Increases in prices for Other Services sold to residential customers are capped at the greater of 50 percent or $.50 per Plan year.[60]

Q. How will new services introduced after the effective date of the Price Plan be regulated?

A. Any new service introduced after the effective date of the Price Plan will not be subject to price caps.[61] A service will not qualify as a new service if it merely renames, repackages, or is a variation of an existing service, or if it is reintroduced in substantially the same form after having been grandfathered, withdrawn, or abandoned.[62]

Q. How does the Price Plan treat bundled and packaged services?

A. The Plan caps the price of packages and bundles at the sum of the individual component prices,[63] which prevents CenturyLink from charging more for such residential packages and bundles than it charges for the component services in such packages and bundles. The Plan also requires CenturyLink to offer individually every regulated telecommunications service that it

[58] Appendix A § 4.l.
[59] Appendix A § 4.k.
[60] Appendix A § 4.k.
[61] Appendix A § 4.q.
[62] Appendix A § 1.b.
[63] Appendix A § 4.r.ii.

offers in a package or bundle so that a customer is not obliged to purchase a package or bundle of services as a condition of obtaining a desired service.[64]

Q. Please describe the Price Plan's Facility Improvement Surcharge and explain the rationale for it.

A. The Facility Improvement Surcharge allows CenturyLink the option of billing a non-discriminatory surcharge on all its customers at a uniform rate to recover facilities-related costs.[65] Such costs can vary greatly from year to year and can be beyond CenturyLink's control. The surcharge is elective and, as a practical matter, CenturyLink's ability to successfully utilize it to recover facilities-related costs not otherwise recovered in rates is subject to prevailing market conditions.

The Price Plan imposes several conditions on CenturyLink's use of the Facility Improvement Surcharge. First, and most importantly, the rate of the surcharge is counted against the annual and Plan-term price increase caps on residential PLBS.[66] This provision shields 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 term. This provision allows the surcharge to operate as a form of pricing flexibility within the price caps described in the Plan, consistent with a price plan under ORS 759.255 being price regulation without regard for return on investment. Second, the surcharge must be a single uniform rate applied statewide on a nondiscriminatory basis.[67] This provision prevents CenturyLink from using the Facility Improvement Surcharge to target

[64] Appendix A § 4.r.i.
[65] Appendix A § 5.
[66] Appendix A § 5.a.
[67] *Id.*

some customers and not others for recovery of facilities-related costs. Third, before CenturyLink can implement the surcharge, it must first file a tariff change including the applicable terms and conditions.[68] Fourth, CenturyLink is required to provide notice to customers 30 days before implementing the surcharge or making changes to its terms and conditions.[69] Finally, if CenturyLink elects to implement such a surcharge, it will engage in good faith discussions with the Commission Staff and CUB to reach agreement on how the surcharge will be labeled on customer bills to assure it accurately describes the costs it will recover.[70]

Q. How does the Price Plan treat recovery of city privilege taxes, fees, and other assessments imposed by cities?

A. In Oregon, CenturyLink is a Large Telecommunications Utility (LTU).[71] Under OAR 860-022-0042, the Commission's rules restrict LTU's ability to surcharge privilege taxes and fees and other assessments imposed upon a LTU by any city in Oregon for engaging in business within such city or for use and occupancy of city streets and public ways by limiting the surcharge to the amount of such taxes, fees and other assessments to the amount in excess of four percent of the LTU's local access revenues.[72]

The Plan partially waives the rule[73] and allows CenturyLink to recover the full amount of such taxes, fees and other assessments through a surcharge at a rate equal to the tax rate imposed by the municipality.[74] CenturyLink must first provide 30 days' notice to customers and the

[68] Appendix A § 5.b.
[69] Appendix A § 5.c.
[70] Appendix A § 5.d.
[71] OAR 860-022-0001; ORS 759.005.
[72] OAR 860-022-0042(4).
[73] Appendix A § 13.
[74] Appendix A § 6.a.

Commission.[75] The Joint Parties acknowledge that surcharging the full amount of municipal taxes, fees and other assessments promotes the public interest by making the taxes and fees more transparent to the residents of the municipalities that assess them.

Q. How does the Price Plan treat recovery of the Oregon Public Utility Commission Fee?

A. The Plan allows CenturyLink to recover the OPUC fee as a separate line item on customers' bills. CenturyLink must first provide 30 days' notice to its customers and the Commission.[76] The Joint Parties acknowledge that surcharging the OPUC fee promotes the public interest by making the cost of regulation more transparent to CenturyLink's customers.

Q. Please describe how the Price Plan addresses service quality.

A. The Plan provides that CenturyLink will continue to be subject to the Commission's service quality rules.[77] The Plan also provides that CenturyLink may file a petition with the Commission to open a rulemaking to revise the Commission's service quality rules.[78] While the Joint Parties agree that they would not unreasonably oppose the initiation of a service quality rulemaking, they reserve the right to not support any particular modifications to the rules that might be proposed.[79]

Q. Please explain how the Price Plan treats exogenous changes.

[75] *Id.*
[76] Appendix A § 6.b.
[77] Appendix A, § 11.
[78] *Id.*
[79] *Id.*

A. As do the 2014 Plans, the Price Plan allows CenturyLink to petition the Commission for adjustment to the Plan to account for changed circumstances outside CenturyLink's control and with a material effect on CenturyLink.[80] Examples include changes in law, rules or taxes resulting from legislative, judicial or administrative action. CenturyLink did not avail itself of the exogenous change provisions in the 2014 Plans.

Q. How does the Price Plan affect CenturyLink's carrier of last resort obligations?

A. In pertinent part, ORS 759.506, entitled "Purpose of allocated territory laws; carrier of last resort obligations; exemptions from obligations; reinstatement of obligations," provides:

> (1) The purpose of establishing allocated territories under ORS 759.500 to 759.570 is to ensure that telecommunications utilities, cooperative corporations and municipalities certified by the Public Utility Commission to provide local exchange telecommunications service:
>
> (a) Provide adequate and safe service to the customers of this state; and
>
> (b) Serve all customers in an adequate and nondiscriminatory manner.
>
> (2) The obligations described in this section may be referenced as carrier of last resort obligations.

The Joint Parties do not necessarily agree on the nature, extent and constitutionality of CenturyLink's carrier of last resort (COLR) obligations under ORS 759.506, but do agree that the Commission lacks authority to waive ORS 759.506 and that the Price Plan does not change CenturyLink's COLR obligations.

To strike a balance between these statutory COLR obligations and the changing competitive landscape within which CenturyLink operates, the Joint Parties agree to allow CenturyLink the opportunity to recover more of the cost of extending its lines to new subscribers and of extending

[80] Appendix A, § 7.

its facilities to new customers and housing developments from the causers of those costs in a manner consistent with the principles set forth in Exhibit 1 to Appendix A.[81] The overarching principle underlying Exhibit 1, applicable to both provisioning agreements for housing developments and line extensions to individual subscribers, is that CenturyLink may not introduce terms and conditions into its rate schedules that would neutralize CenturyLink's ORS 759.506 COLR obligations.[82]

Q. How does the Price Plan treat line extensions to new subscribers?

A. The Price Plan allows CenturyLink to revise its tariffs or rate schedules for residential line extensions to reflect the principles set forth in Exhibit 1 to Appendix A.[83] Before proceeding to discuss the principles, we first provide two definitions used in Exhibit 1 to Appendix A.

a. *Line extension*. A line extension is an extension of facilities from the closest practical point of distribution facilities to a landowner pedestal. For residential services, the pedestal is typically at the owner's property line. Line extensions do not include drops.[84]
b. *Drop*. A drop is the facilities between the pedestal and the residence.[85]

The principles in Exhibit 1 specific to line extensions are as follows.

1. CenturyLink is not required to provide all line extensions for free within its base rate areas. Instead, CenturyLink may revise its line extension tariff or rate schedule so that all

[81] Appendix A § 10.
[82] Appendix A Exhibit 1 § 3.
[83] Appendix A § 10
[84] Appendix A Exhibit 1 page 1.
[85] *Id.*

line extensions—whether inside or outside the base rate area—are afforded the same treatment.[86]

2. CenturyLink's tariff or rate schedule can make the applicant for a line extension responsible for bearing the cost of the drop.[87]
3. If CenturyLink's tariff or rate schedule makes the applicant for a line extension responsible for the cost of the drop, the tariff or rate schedules will allow the applicant the opportunity to defray costs by granting the applicant the right to perform work on private property associated with drops, such as trenching, conduit placement, placing pull rope, and setting poles.[88]
4. CenturyLink may charge the applicant the portion of the actual cost of a line extension that exceeds $2,000. This Exhibit 1 principle means that CenturyLink must bear the first $2,000 of cost for any line extension.[89]
5. CenturyLink is required to determine the route for line extensions along public rights of ways.[90]
6. CenturyLink is authorized to determine the route for line extensions on private property.[91]
7. The applicant is responsible for obtaining and paying for private property easements where necessary. However, the cost of the easement is subject to the $2,000 allowance

[86] Appendix A Exhibit 1 § 2.
[87] Appendix A Exhibit 1 § 5.
[88] Appendix A Exhibit 1 § 6.
[89] Appendix A Exhibit 1 § 7.
[90] Appendix A Exhibit 1 § 8.a.
[91] *Id.*

so that the applicant bears the total of the easement and facilities costs that exceed $2,000.[92]

8. CenturyLink is responsible for obtaining access to public rights of way and must bear the costs associated with obtaining such access.[93]
9. CenturyLink must inform an owner in writing in advance if CenturyLink's preferred route will result in costs exceeding the $2,000 allowance and must include in such notice an itemized estimate of costs and any alternative route options that would result in lower costs for the applicant.[94]
10. If CenturyLink's preferred route would necessitate obtaining an easement, CenturyLink has a duty to avoid acting in any way that may inflate the cost of such an easement.[95]
11. CenturyLink is authorized to batch residential line extension agreements into one project. CenturyLink must set forth in a written contract the terms and conditions for administering the batched line extensions. The contract must provide for reimbursement of the difference between estimated and actual costs. In the event that line extension projects are batched, the total line extension allowance for the batched projects shall be the product of $2,000 multiplied by the number of applicants for service requiring line extension in that batch.[96]
12. CenturyLink may not compel applicants for service that require line extensions to participate in a batched line extension project as a condition of obtaining service. [97]

[92] Appendix A Exhibit 1 § 8.b.
[93] Appendix A Exhibit 1 § 8.c.
[94] Appendix A Exhibit 1 § 8.d.
[95] *Id.*
[96] Appendix A Exhibit 1 § 9.a.
[97] Appendix A Exhibit 1 § 9.b.

13. CenturyLink's line extension cost estimate may include only costs associated with facilities necessary to provide service to the applicant(s) for line extension.[98]
14. If a residential applicant for service seeks both regulated and unregulated services, CenturyLink's cost estimate or quote must clearly differentiate and itemize the costs of extending facilities to provide the regulated services from the costs of providing the unregulated services.[99]
15. CenturyLink must provide applicants for both regulated and unregulated services the opportunity to pay the cost of drop facilities necessary to provide unregulated services at the time of obtaining regulated service. [100]
16. CenturyLink may not include costs associated with reinforcement of facilities needed to provide regulated or unregulated services for future owners or developments in the calculation of line extension costs or allowances.[101]
17. CenturyLink may allocate costs between extensions to provide regulated service and extensions to provide unregulated service on a reasonable basis. [102]

Q. How does the line extension provision of the Plan differ from CenturyLink's current Price Lists?

A. Under its current Price List, CenturyLink QC must provide line extensions inside the Base Rate Area at no charge to the applicant and must provide line extensions to applicants outside the Base Rate Area at a rate of $440 per tenth mile for an individual applicant and $740 per tenth

[98] Appendix A Exhibit 1 § 10.a.
[99] *Id.*
[100] *Id.*
[101] Appendix A Exhibit 1 § 10.b.
[102] Appendix A Exhibit 1 § 10.c.

mile for a group of applicants. Applicants outside the Base Rate Area pay nothing for the first tenth mile.[103]

The Price List for CTL of Oregon and CTL of Eastern Oregon provides for free line extensions within the Base Rate Area and 1,000 feet of free line extension outside the Base Rate Area. The rate for line extensions outside the base rate area in excess of 1,000 feet is $2.25 per foot.[104]

United's Price List provides a two-tenths mile allowance and a charge of $2.25 per foot beyond the allowance. Actual cost of construction charges apply for the remaining footage when a customer's tariffed line extension charge exceeds $2,500. United's Price List does not differentiate between line extension inside and outside the Base Rate Area.[105]

The principles set forth in Exhibit 1 of Price Plan allow CenturyLink to eliminate line extension charges and allowances based on distance measurement and will allow CenturyLink to simplify and unify its terms for providing line extensions. The principles also serve to limit CenturyLink's financial exposure to uncompensated line extension costs to $2,000 per line extension.

Q. Please explain why the Joint Parties support the line extension provision in the Plan.

A. CenturyLink asserts that competition for voice service in Oregon has left it with a lesser ability to recover the uncompensated cost of line extensions. All the Joint Parties acknowledge that the direct beneficiary of a line extension may later discontinue service from CenturyLink either by choosing another provider or by vacating the residence to which facilities were

[103] Qwest Corporation Exchange and Network Services Price List section 4.2.1.
[104] CenturyTel of Oregon, Inc. d/b/a CenturyLink and CenturyTel of Eastern Oregon, Inc. d/b/a CenturyLink Price List section 4.2.
[105] United Telephone Company of the Northwest Oregon Price List Section 4.

extended. Nevertheless, CenturyLink is subject to the COLR obligations of ORS 759.506. In the current environment of a changing competitive landscape, the Joint Parties agree that some portion of the cost of satisfying the COLR obligation should be borne by the direct beneficiary of that policy. But the Joint Parties do not agree on the portion of the cost that the direct beneficiary should bear and the portion of the cost the provider should bear. The Price Plan reflects the Parties' compromise on this point; CenturyLink will bear the first $2,000 of cost per line extension and the direct beneficiaries will bear the rest. Under this compromise, CenturyLink's line extension policies and charges are more aligned with the line extension charges of gas and electricity providers, which are based on a specified dollar amount of cost allowance.[106]

Q. How does the Price Plan treat Provisioning Agreements for Housing Developments?

A. The Price Plan allows CenturyLink to revise its tariffs or rate schedules for Provisioning Agreements for Housing Developments (PAHDs) to reflect the principles set forth in Exhibit 1 to Appendix A.[107] Those principles are as follows:

1. CenturyLink may require a developer to bear the cost of construction necessary to extend CenturyLink's network to service a development.[108]
2. Where the developer is not the builder, the builder or owner may be responsible for the cost of drops, unless the terms of the PAHD include the costs of drops.[109]

[106]For example, Portland General Electric provides a line extension allowance of $1,623 and Northwest Natural Gas provides an allowance ranging from $0 to $2,875, depending on type of gas appliances connected. *See* PGE Oregon No. E-18, Schedule 300, Sheet No. 300-6 (Fourth Revision); Northwest Natural Gas PUC Or. 25, Schedule X, Sheet X-5 (Original).
[107] Appendix A § 10
[108] Appendix A Exhibit 1 § 11.
[109] Appendix A Exhibit 1 § 12.

3. CenturyLink may modify payment requirements and reduce charges associated with developments to respond to competition.[110]
4. In a PAHD where the developer, builder, or owner is required to pay line extension or construction costs, CenturyLink must provide a quote of estimated costs and must reimburse the payer the excess between estimated and actual costs.[111]
5. A developer, builder, or owner may perform work such as trenching, conduit placement, placing pull rope, and setting poles, on private property in order to defray costs. [112]

Q. Please describe the term of the Plan.

A. The initial term of the Price Plan is four years. Unlike the 2014 Price Plans, the Price Plan automatically renews for successive four-year terms, unless suspended or modified by a change in applicable law or by Commission order.[113] CenturyLink may file a petition to propose modifications to the Plan no sooner than the second anniversary of each four-year Plan term.[114] CenturyLink may also, at any time during the Plan, file a petition pursuant to ORS 759.052 or any other form of regulation or relief that may be available under Oregon law.[115] The rationale for the automatic renewal or "evergreen" provision is to afford the Parties and the Commission greater regulatory stability and to avoid unnecessary expenditure of the Commission's and Parties' resources on a modification or replacement where no compelling need exists.

[110] Appendix A Exhibit 1 § 13.
[111] Appendix A Exhibit 1 § 14.
[112] Appendix A Exhibit 1 § 15.
[113] Appendix A § 3.a.
[114] Appendix A § 3.b.
[115] *Id.*

Q. Please describe the conditions for review of CenturyLink's performance under the Price Plan.

A. The Plan provides for two forms of Commission review. The first is the Commission's review every four years of a performance report that CenturyLink is required to submit at the end of the third year of each four-year term.[116] The performance report will separately detail the performance and progress of each CenturyLink entity and address how the four companies are meeting the objectives of the Price Plan.[117] The report will include specific information related to market conditions, gain or loss of access lines, identification of new services introduced, identification of efficiencies resulting from reduction in regulatory burdens, and a schedule of all price changes made during the term relative to the associated price caps imposed by the Price Plan.[118]

The second form of review would occur at the Commission's option and may occur at any time pursuant to ORS 756.515 if the Commission undertakes to determine whether the public interest requires further adjustments to or termination of the Price Plan. Under such a review, the Commission may order adjustments to the Price Plan or terminate the Price Plan only after providing CenturyLink with notice and the opportunity for a hearing. In the event of such an investigation, the Joint Parties agree that the Commission should first attempt to identify and require adjustments to the Price Plan such that the continuation of the Price Plan is in the public interest before it orders termination of the Price Plan.[119]

[116] Appendix A, §§ 3.c. 3.d.1.
[117] Appendix A, § 3.c.
[118] *Id.*
[119] Appendix A § 3.d.ii.

Q. What would happen were the Commission to terminate the Price Plan as described above?

A. CenturyLink could pursue any form of price regulation or relief then permitted under Oregon law, including but not limited to: exemption from regulation; price listing; rate of return regulation; another price plan; and/or price cap regulation. Additionally, the Commission could adjust CenturyLink's rates to ensure CenturyLink's rates are just and reasonable. However, the Joint Parties agree not to advocate for rates that are lower than those in effect one year prior to initiation of the proceeding to terminate the Plan.[120]

Q. Please generally describe the waivers of statutes and rules contained in the Price Plan.

A. Section 13 of the Plan provides for the waiver–in whole or in part–of certain statutes and rules. Some of these statutes and rules involve the reporting of information by CenturyLink that would no longer be useful either to the Commission or to CenturyLink. Others involve unnecessary administrative burdens for all parties in light of the Price Plan.

V. THE PRICE PLAN MEETS THE REQUIREMENTS OF ORS 759.255.

Q. What standard governs the Commission's decision to approve this price plan?

A. The Price Plan is filed pursuant to ORS 759.255. Prior to granting a petition to approve a price plan under that statute, the Commission must find that the plan is in the public interest. ORS 759.255(2) delineates four criteria the Commission shall consider, among other matters, in making its public interest determination. Those four criteria are:

[120] Appendix A § 3.d.iv.

a) Ensures rates for telecommunications services that are just and reasonable;

b) Ensures high quality of existing telecommunications services, and makes new services available;

c) Maintains the appropriate balance between the need for regulation and competition; and

d) Simplifies regulation.

Additionally, the Joint Parties agreed the Plan should also fulfill two related purposes included in the Plan's General Objectives: to ensure a regulatory framework for offering telecommunications services that is in the public interest and to specifically maintain the availability of PLBS at affordable rates throughout CenturyLink's service territory.[121]

Q. How can the Commission be assured that the Price Plan satisfies each of these criteria?

A. The Parties have carefully considered each of the statutory public interest criteria and believe that the attributes of the Plan support a finding that the Plan is in the public interest. The following is a discussion of how the Plan satisfies each of the four statutory criteria and the two additional objectives included in the Plan.

Criteria A: The Plan Ensures Just and Reasonable Rates

Q. Please explain why the Plan ensures that prices for services governed by the Plan will be just and reasonable.

[121] Appendix A § 2.

A. Consistent with the terms of the Stipulation and Price Plan, and for the sole purpose of reaching settlement of this docket, CenturyLink waives any opportunity it might have to seek in this proceeding what it would deem to be full recovery of the costs to provide the regulated services that are the subject of the Stipulation and the Joint Parties agree that the terms of the Price Plan are expected to result in just and reasonable rates.[122] The Plan ensures that CenturyLink's retail prices addressed by the Plan will be just and reasonable for the following reasons: 1) CenturyLink's services are subject to changing competitive circumstances that warrant additional pricing flexibility; 2) CenturyLink's current prices for residential PLBS and the associated non-recurring charges are subject to price caps; 3) the Price Plan provides a commitment that residential and business PLBS will continue to be offered throughout the respective companies' service areas for the term of the Price Plan; 4) all regulated services (both business and residential) are restricted from further rate deaveraging which will assure that customers with fewer competitive choices are shielded from rate increases that might otherwise be sustainable in Oregon's current telecommunications market; 5) certain services with particular public interest characteristics--including toll restriction, call-trace and residential unlisted numbers--are either capped at pre-plan rates or otherwise price capped; and 6) the Price Plan includes the obligation to continue to offer on a stand-alone basis all regulated services offered as part of a package or bundle. These combined factors will adequately constrain pricing while assuring availability of services. The performance report the Plan requires on the third anniversary of the Plan will detail all price increases made during the current Plan term, including the remaining amount of pricing flexibility available for each service. And as a "safety net," the Commission may open an investigation at any time to determine whether further

[122] If it does not, the Plan provides multiple paths to modification or termination of the Plan.

adjustments or termination of the Plan is necessary to ensure the public interest standard is met for all the criteria in ORS 759.255, including the provision regarding just and reasonable prices.

1. Initial Plan prices are just and reasonable

Q. How will the initial prices for the Plan be established?

A. The "initial prices" will be the prices charged by the four CenturyLink entities under the 2014 Price Plans and are the same as pre-plan rates offered at the time of the Stipulation was filed with the Commission. CenturyLink reported all its rates in its 2014 Price Plan Performance Reports filed with the Commission on January 3 and January 6 of 2017. The rates were subject to Commission Staff's review and addressed in Staff's report to the Commission.

During the pendency of the 2014 Price Plans, CenturyLink did not raise the rates of most of the services for which the 2014 Price Plans allowed price increases. CenturyLink asserts that the fact it did not use most of the upward pricing flexibility it had during the 2014 Price Plans proves that competition has been sufficiently effective to constrain prices to just and reasonable levels for the services for which it did not use all of its upward pricing flexibility.

2. Prices for certain key services are capped at pre-Plan prices.

Q. Please describe the forms of price caps contained in the Plan.

A. The Plan contains the following three types of price caps:

1. **<u>Prices capped at pre-plan rates</u>** are prices that cannot be increased during the term of the price plan.

2. **Prices subject to a specific cap** are prices that may increase no more than an amount the Plan specifies.
3. **Prices capped at the "sum of the piece parts"** are prices for CenturyLink's packages and bundles capped by an amount that is no more than the sum of the prices of the component services included in the package or bundle.

Q. Please describe how capping rates at the pre-Plan level assures rates are just and reasonable.

A. As described earlier in this testimony, the prices for the following services are capped at pre-Plan rates through the term of each Plan:

- Extended Area Service ('EAS" which provides local calling to communities of interest);
- toll restriction (an optional feature which restricts the ability to place toll calls on a line);
- call trace ("*59" which may identify originating calling party information for law enforcement investigations);
- residential unlisted numbers (customer names, numbers and addresses not made available to either directory publishers or directory assistance);
- E911 services (services provided to public service answering point providers integral to the provision of E911 service);
- intrastate switched access (services provided to long distance carriers for the origination and termination of calls).

The Commission has found that toll-free calling within certain communities of interest is appropriate and the establishment of EAS is warranted. The Plan shields these communities of interest from EAS rate increases by capping EAS, a mandatory component of both flat-rate

residential and business primary basic line rates at pre-Plan levels. The Plan caps toll restriction, call trace, and residential unlisted numbers in recognition of their importance to public safety and privacy. The Plan caps E911 services CenturyLink provides to public safety answering points (PSAPs) in making E911 services available to the public at pre-plan rates. The Plan also caps switched access at pre-Plan rates, which reflects a compromise in settlement for the purposes of this docket, though the Joint Parties may hold different views on the role of this wholesale service in the switched long-distance service market. Finally, the "cost-based" services in CenturyLink's rate schedules will remain cost-based without any additional mark-up.

Q. How do the price caps for services subject to a specific cap as outlined earlier in your testimony help assure rates remain just and reasonable under the Price Plan?

A. As discussed above, the Parties agree that the cap on residential PLBS serves the interests of residential customers who buy residential single line service with no calling features and/or no or limited long-distance service. The Plan limits rate increases on flat rate residential PLBS to $3 per Plan year and $10 in any four-year Plan term, limits the recurring charge for residential measured service to 80 percent of the flat rate residential PLBS rate and caps per minute charges at pre-plan rates.

The Plan also provides specific caps for 1) residential Other Services (residential services contained in CenturyLink's rate schedules that are not otherwise expressly addressed in the Price Plan; 2) additional directory listings; and 3) non-published numbers.

Although the Price Plan imposes no caps on business services, it does limit the business PLBS rate that United, CTL Oregon and CTL Eastern Oregon may charge to no more than the rate CenturyLink QC charges for this service in Rate Group 2. This limitation shields United, CTL

of Oregon and CTL of Eastern Oregon business subscribers from paying rates above those paid by Qwest customers in Rate Group 2, which is the middle of three Qwest Rate Groups. The Plan also prohibits CenturyLink from further deaveraging its business rates. This limitation ensures CenturyLink cannot employ pricing increase strategies that target only small markets where there may be fewer competitive alternatives. The Plan also prohibits CenturyLink from increasing the dollar differences for prices between its business PLBS rate groups.

As detailed earlier in testimony, the Price Plan assures the initial directory listing will be included at no additional charge in both the business and residential PLBS rates. Additional listings are available and increases are capped at no more than 25 percent in any Plan year.

The Plan caps increases in monthly rates for both business and residential non-published numbers at no more than $1.00 per year and $3.00 over the four-year term of the Plan. Increases in rates for residential Other Services (any residential service contained in CenturyLink's rate schedules that is not otherwise addressed in the Price Plan) are capped at the greater of 50 percent or $.50 per year. These specific rate caps provide an absolute level of certainty regarding the pricing for these services.

Additionally, the Joint Parties expect that the Commission's review of CenturyLink's performance under the terms of the Price Plan will afford the Commission sufficient opportunity to identify whether CenturyLink's pricing patterns over the course of a Plan term or successive Plan terms warrant investigation into whether the terms of the Plan are resulting in rates that are just and reasonable.

Q. Which services are subject to the "sum of the piece parts" protection?

A. This protection is afforded customers of Packages and Bundles. Staff and CUB believe that customers who are willing to buy voice service that includes a collection of calling features and other services typically have more choices of provider than do customers seeking only basic, "no-frills" PLBS, or are less cost sensitive than those customers. In recognition that purchasers of packages and bundles generally have more options, the Plan provides for a greater degree of pricing flexibility for these services, but still provides regulatory guardrails that assure the price of CenturyLink's packages and bundles will not exceed the sum of prices of the components. Additionally, customers may purchase any regulated telecommunications service included in a Package or Bundle on a "stand-alone" basis, ensuring that CenturyLink may not condition the availability of any particular service or feature on a customer's subscription to a package or bundle.

Q. How does the Plan ensure just and reasonable rates for customers in areas that competitors find less attractive because of, for instance, low population density and high cost of providing service?

A. The Plan shields these areas from rate increases in several ways.

- It requires CenturyLink to provide standalone residential and business PLBS.
- It limits residential PLBS rate increases to $3.00 per year and $10.00 per Plan term.
- It caps rate increases for non-recurring charges for residential PLBS to $10 per Plan Term.
- It limits rate increases for residential Other Services to the greater of 50 percent or $0.50 per year and 200 percent per Plan Term.
- It caps residential measured PLBS at 80 percent of residential flat-rate PLBS.

- It caps EAS rates at pre-Plan rates.
- It caps the business PLBS rate of CTL of Oregon, CTL of Eastern Oregon and United (all of which serve markets lacking large urban centers) at the business PLBS rate in Rate Group 2 of Qwest (which serves most of Oregon's urban centers).
- It prohibits further geographic de-averaging of the pricing of any existing CenturyLink regulated services (both residential and business) that are currently de-averaged.
- It prohibits CenturyLink from increasing the existing dollar differences between rate groups for residential and business PLBS.
- It requires CenturyLink to continue to provide at a statewide average rate any regulated service (residential or business) currently offered at a statewide average rate.

All of these requirements help ensure that customers in areas with fewer competitive choices are not targeted with rate increases. As an example, CenturyLink's lowest residential flat rate is $15.48 and its highest is $17.80. If CenturyLink were to increase the $15.48 rate by 10 percent ($1.55) to $17.03, then it could increase the $17.80 rate by no more than the same $1.55 which is only 8.7 percent.

Similarly, if CenturyLink were to decrease by $1.00 the price of a service that currently has a statewide average rate, that $1.00 decrease would apply throughout CenturyLink's service territory. Thus, the Plan ensures that customers in all parts of the state enjoy the benefit of competitive pressure on prices in any part of the state.

Finally, if CenturyLink were to implement the Facility Improvement Surcharge allowed under Section 5 of the Plan, it would have to impose a single uniform charge applied on a nondiscriminatory basis. This requirement prevents CenturyLink from surcharging only

customers with fewer competitive choices or from surcharging them more than customers that enjoy more competitive choices.

Criteria B: The Plan ensures a high quality of existing telecommunications services, and makes new services available.

Q. Does the Plan satisfy the public interest by ensuring that CenturyLink maintains service at high quality standards and makes new services available?

A. Yes. One of the objectives of the Plan is to "ensure high quality of existing telecommunications services and make new services available." CenturyLink will continue to be subject to the Commission's service quality rules and will continue its reporting practices as prescribed by the rules. These reports provide the Commission with the means to monitor CenturyLink's service quality and compare it with those competitors that are required to report to the Commission. Were CenturyLink found to be out of compliance with individual service quality standards, the Commission's service quality rules provide for the development of a corrective action Plan.

Although CenturyLink remains subject to the Commission's retail service quality standards for Large Telecommunications Utilities, CenturyLink asserts changing market conditions require a reassessment of service quality standards largely established during telecommunications' monopoly era and now imposed on providers that serve a small and shrinking fraction of the telecommunications marketplace. CenturyLink intends to ask the Commission to consider changes to its service quality rules in a separate rulemaking proceeding. The Joint Parties agree to not unreasonably oppose the initiation of a service quality rulemaking but there is no

presumption as part of this Price Plan that the Joint Parties would support any particular rule modifications proposed by CenturyLink or any other participant.

Criteria C: The Plan maintains the appropriate balance between the need for regulation and competition

Q. How does the Plan strike a balance between the need for regulation and competition?

A. The Joint Parties acknowledge that the continued availability of high-quality basic telephone service is important to Oregonians and that CenturyLink has lost access lines and revenues to other carriers. CenturyLink asserts that price controls hinder its ability to recover its cost of providing service and to strategically increase its prices to generate higher revenues.

In striking an appropriate balance between regulation and competition the Joint Parties have settled on a Price Plan that recognizes that most Oregonians in many Oregon locations can choose other carriers than CenturyLink and therefore, traditional cost of service regulation of CenturyLink is not appropriate. The Plan is intended to ensure adequate pricing flexibility for CenturyLink so that it may respond to competitive pressures and allow it to try to maximize its revenues with light regulation for most of its services. The Plan provides both upward and downward pricing flexibility for nearly all of CenturyLink's offerings.

The Price Plan allows pricing flexibility or lightly regulates most of CenturyLink prices but preserves more traditional regulatory protection over services with a particular public interest, e.g. E911, EAS, toll restriction, call trace, residential unlisted numbers and intrastate switched access. The Plan also puts up regulatory guardrails for the benefit of residential consumers that limit the amount by which CenturyLink can raise prices on residential services and for the

benefit of businesses that limit CenturyLink's ability to focus its price increases on certain geographic areas.

The Plan relieves CenturyLink of a variety of reporting obligations and waives a variety of statutes and rules. The Plan does not relieve CenturyLink from any of the Commission's service quality rules but does not prevent CenturyLink from seeking to have the rules revised. Consequently, the Joint parties believe that as designed, the Plan strikes an appropriate balance between the need for regulation and the need for CenturyLink to generate revenue in a market characterized by increasing competitive choice.

Q. Does the Plan allow for future Commission modifications to ensure the appropriate balance between regulation and competition?

A. Yes. As described above, Section 3.d of the Plan contains various provisions that would enable the Commission to investigate and take remedial action if it were to find that further adjustments to the Plan or termination of the Plan is required by the public interest. The Commission could initiate such investigations at any time. Through these mechanisms, the Commission would have clear means to ensure that the Plan is operating in the public interest and modify or, if it were warranted, terminate the Plan if it were to determine that the Plan was no longer operating in the public interest.

Criteria D: Simplifies Regulation

Q. Does the Plan reduce regulatory burdens on the Commission and on CenturyLink?

A. Yes. Section 13 of the Price Plan provides for the waiver – in whole or in part – of certain statutes and rules. In many instances, these statutes and rules involve the reporting of information

by CenturyLink that would no longer be useful either to the Commission or to CenturyLink or rules that represent an unnecessary administrative burden for both. Additionally, the provision allowing for automatic renewal of the Plan for successive four-year terms may reduce the periodic burden on the Commission and CenturyLink to establish a new plan at the end of each Plan term where more minor (or even no) adjustments may be appropriate when that time arrives.

Q. Does the Commission have the authority to waive these specific statutes and rules?

A. Yes, ORS 759.255(5) authorizes the Commission to waive in whole or in part a telecommunications utility's compliance with certain enumerated statutes if the Commission approves a price plan under ORS 759.255(1) for that telecommunications utility. In addition, OAR 860-022-0000(2), OAR 860-025-0000(2), OAR 860-026-0000(2), and 860-027-0000(2) allows the Commission upon request or its own motion to waive any of the Division 22, 25, 26, or 27 rules for good cause shown.

Q. Please identify the statutes ORS 759.255(5) allows the Commission to waive, the Price Plan's waiver treatment of each such statute and the rationale for the treatment.

A. ORS 759.255(5) permits waiver of all of the statutes listed in the schedule below. The schedule identifies the Plan's waiver treatment of the statutes and the rationale for that treatment.

Oregon Revised Statute	**Governing**	**Treatment**	**Rationale**
759.120	accounting	Waived partially	Reduces the Company's regulatory burden associated with submitting the Form O on an annual basis.
759.125	accounts and records	Waived partially	
759.130	accounts, balance sheets and audits	Not waived	Requires balance sheets to be filed with the Commission and permits the Commission to examine and audit any account.
759.135	depreciation accounts	Waived	Reduces the Company's regulatory burden associated with submitting the Form O on an annual basis.
759.180	hearing on reasonableness of rates	Waived	Not applicable absent cost-of-service regulation and in light of alternative provisions on Commission review under price plan statute.
759.182	promotions	Not waived	Allows CenturyLink to offer service promotions.
759.185	suspension of rates	Waived	Not applicable absent cost-of-service regulation and in light of alternative provisions in agreed upon Plan.
759.190	notice of schedule changes	Waived	
759.195	price listing of services	Waived	Not applicable absent cost-of-service regulation and in light of alternative provisions in agreed upon Plan.
759.200	amortizations	Waived	Pertinent only to cost-of-service regulation.
759.205	Charge filed rates	Not waived	Requires CenturyLink to charge for its services according to a published rate schedule.

Oregon Revised Statute	**Governing**	**Treatment**	**Rationale**
759.215 (1)	Schedules made available to the public	Not waived	Requires CenturyLink to make its rate schedule available to the public.
759.215 (2)	Schedules available 30 days prior to price changes	Waived	Not applicable absent cost-of-service regulation and, in some instances, in light of alternative provisions in agreed upon Plan.
759.220	joint rates and classifications	Waived partially	
759.285	charging rates based on cost of property not presently providing service	Waived	
759.300 to 759.365	Issuance of Securities	Waived	
759.375	Approval prior to sale, mortgage or disposal of operative utility property	Waived partially	Waiver is dependent on material value of relevant transaction.
759.380	Purchase of stock or property of another utility	Not waived	Requires Commission approval of CenturyLink mergers and acquisitions of other utility properties.
759.385 to 759.393	Transactions of Utilities with affiliates	Waived	Not applicable absent cost-of-service regulation.

Q. Please explain the rationales mentioned above.

A. The statutes waived in this Price Plan are the same statutes that the 2014 Price Plans waived, except for the agreed upon Plan's treatment of ORS 759.130 and ORS 759.375(1)(a), discussed below.

Waiver to reduce the Company's regulatory burden associated with submitting the Form O on an annual basis is appropriate because the information that would otherwise be provided is not useful enough to the Commission to justify CenturyLink's cost of producing and reporting it. Waivers based on the statute not being applicable absent cost-of-service regulation is justified because the statutes waived are useful and pertinent only when the carrier is under cost-of-service (aka rate-of-return) regulation and because, where relevant, the Price Plan includes provisions better tailored to the Plan's agreed upon terms.

ORS 759.130 is not waived because the Commission needs all carriers to report balance sheet information used in the Commission's annual utility statistics reports and because while CenturyLink is subject to the Commission's jurisdiction the Commission may need to examine and audit CenturyLink's accounts. ORS 759.182 is not waived because it allows CenturyLink to offer service promotions for various reasons. ORS 759.205 is not waived because even under price caps, regulated carriers should charge the amount shown on their rate schedules. ORS 759.215 (1) is not waived because even under price caps, carriers' rate schedules should be available for public inspection. ORS 759.375 is partially waived based on property disposition materiality which is $10 million for Qwest and $1 million for the other three companies. The portion of ORS 759.375 that requires Commission approval for of any sale, lease, assignment or other disposal of any franchise, permit or right to maintain and operate the telecommunications

utility or telecommunications utility property, or perform any service as a telecommunications utility is not waived because Staff and CUB believe this approval is fundamental to the Commission's oversight of telecommunications utilities. ORS 759.380 is not waived because Staff and CUB believe the acquisition of another utility is also fundamental to the Commission's oversight of telecommunications utilities.

Q. Please explain why the Commission should waive, in whole or in part, the rules identified in Section 14 of the Plan.

A. Consistent with the previous discussion regarding waiver of certain statutes, certain Oregon Administrative Rules are inconsistent (in whole or in part) with the regulation of services under this Price Plan or are necessary to align with provisions of the Price Plan. For example, OAR 860-022-0042 is partially waived to permit the pass through as a separate line item the entire amount of the Privilege Tax. To the extent that it might be necessary, OAR 860-022-0047 is partially waived to allow the implementation of a facilities surcharge. Several rules relate to rate of return regulation, including OAR 860-025-0065 and OAR 860-027-0016. The Plan also waives various rules relating to financing, affiliated interests, and accounting.

Other waivers represent more targeted determinations by the Joint Parties that waiver is appropriate to reduce regulatory burden in a way that aligns with the design of the proposed Plan. For instance, while the Commission's rules for promotions largely still apply under the terms of the Plan, the Plan waives a portion of OAR 860-026-0025(b) to permit CenturyLink to run longer promotions and relieves Staff of a relatively rigid timing requirement for review of those procedures. The Plan also waives OAR 860-022-0030 and two subsections of OAR 860-022-0025(2) to reflect that certain information may in some cases not be needed to justify a tariff

change that complies with the Plan. Finally, the Plan partially waives the annual reporting requirements of OAR 860-027-0070.

VI. RECOMMENDATION

Q. What do the Joint Parties recommend regarding the Stipulation?

A. The Parties recommend that the Commission adopt the Stipulation and approve the Petition and the Price Plan as soon as possible, and no later than the expiration of the 2014 Price Plans the first of which expires October 3, 2018.

Q. Does this conclude your joint testimony?

A. Yes.

Docket No: UM 1908
Exhibit 101

WITNESS QUALIFICATION STATEMENT

NAME: Phil Grate

EMPLOYER: CenturyLink

TITLE: Director, Regulatory Affairs

ADDRESS: 1600 7th Avenue, Seattle, Washington 98191

EDUCATION: Juris Doctor, Indiana University School of Law, Bloomington

Bachelor of Science in Business Administration, Accounting Concentration, Indiana University School of Business, Bloomington

EXPERIENCE: Since 1984 I have been employed with CenturyLink and predecessor companies (Pacific Northwest Bell, U S West Communications, Qwest Corporation) in the following capacities. **Director, Regulatory Affairs** for Oregon, September 2016 to the present. I am also Director, Regulatory Affairs for CenturyLink in Washington. As Director, Regulatory Affairs I am responsible for all regulatory matters involving CenturyLink entities in Oregon and Washington. **Director, Regulatory and Legislative Affairs**, November 2013 through August 2016. I was responsible for all regulatory and legislative matters in Montana for all CenturyLink entities. **Director, Regulatory Finance**, January 1995 through October 2013. I testified as an expert witness before state regulatory commissions concerning accounting, public policy, financial, legal and economic matters. **Director, Accounting Standards**, March 1990 through December 1994. I supervised and guided a team of 40 accountants, mangers and occupational employees responsible for strategy, planning, development and compliance with GAAP, regulatory accounting, internal functional accounting, geographic allocations of cost, and allocation of costs between regulated and unregulated products. **Tax Attorney and Tax Manager**, May 1984 through February 1990. I supervised attorneys, CPA's and managers. Responsible for tax research, compliance methods, and state and local income and gross receipts tax law and legislation planning and analysis. Expert witness.

From August 1982 through March 1984 I was a Senior Tax Analyst for the national "Big Eight" accounting firm Touche Ross in Seattle Washington. While at Touche Ross I became a Certified Public Accountant.

I hold an inactive license to practice law in Washington and am a member in good standing of the Washington State Bar.

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Exhibit 102

WITNESS QUALIFICATION STATEMENT

NAME: Stephen Hayes

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst, Telecommunications and Water Division

ADDRESS: 201 High Street SE, Suite 100, Salem OR, 97301

EDUCATION: Bachelor of Science, Accounting, California State University at Chico

EXPERIENCE: I have been employed with the Oregon Public Utility Commission since 2011. I am currently a Senior Utility Analyst in the Telecommunications and Water Division. My responsibilities include leading research and providing technical support on a wide range of technical and policy issues relating to telecommunications companies. In addition to being the primary staff person on the previous Qwest, CenturyTel and United price plans, my duties have included analysis and recommendations to the Commission relating to: eligible telecommunications company (ETC) petitions; wholesale and retail service quality reporting and rulemaking; exclusive service territory allocations; study area boundary certifications; number resource allocation; local number portability; and tariff and special contract reviews. I perform geographic information system (GIS) mapping for analysis of geo-spatial data. I have participated in the implementation of new state legislation and authored related legislative reports.

Previous to my employment with the Commission, I worked for Sierra Telephone Company in California for nearly ten years. My title was Senior Regulatory Analyst and Carrier and Access Billing Administrator. In that role, I worked on implementation of state and federal regulatory initiatives that touched nearly every department and function of the company. This included providing training on issues including local number portability, customer proprietary network information, and other policies and procedures. I had additional responsibility for federal and state access tariffing, billing and reporting; interconnection agreements with wireless companies; responding to State and Federal data requests; portions of the monthly National Exchange Carrier Association (NECA) reporting; and reporting of revenues and operational statistics, including service quality and numbering resources. I provided tariff advice to engineering and construction management, and gained experience with many telephone utility business and operational practices.

Docket No.: UM 1908
Oregon Citizens' Utility Board
Exhibit 103

WITNESS QUALIFICATION STATEMENT

NAME: Samuel Pastrick

EMPLOYER: Oregon Citizens' Utility Board (CUB)

TITLE: Outreach Manager

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: Bachelors of Arts, Environmental Management and Policy
University of Maine

EXPERIENCE: Works on a range of information and communications technology and energy policy issues at the Oregon legislature, Oregon Public Utility Commission (OPUC), and within the City of Portland.

Provided comments or testimony in the following OPUC dockets: AR 601, AR 602, UM 1787, LC 64, UM 1908.

Lobbied and provided testimony on behalf of CUB during 2017 and 2018 Oregon legislative sessions.

Submitted comments in Federal Communications Commission WC dockets: 17-108, 17-287, 11-42, 09-197.

Worked for Community Energy Project from 2011 – 2014, developing or administering low-income weatherization, building performance, and lead poisoning prevention programs.