



CARLA M. BUTLER

October 23, 2017

Via eFiling Only

Filing Center
Oregon Public Utility Commission
P.O. Box 1088
Salem, OR 97308-1088
puc.filingcenter@state.or.us

Re: UM ___ - Joint Petition for Price Plan and Partial Exemption

Dear:

Attached for filing in the above entitled matter please find CenturyLink's Joint Petition for Price Plan and Partial Exemption.

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

Sincerely,

A handwritten signature in black ink that reads "Carla".

Carla M. Butler
Paralegal

Attachment

310 SW Park Ave., 11th Flr.
Portland, OR 97205
Ph. 503.242.5420
Fx. 503.242.8589
carla.butler@centurylink.com

1
2
3 **BEFORE THE PUBLIC UTILITY COMMISSION**
4 **OF OREGON**

5 UM _____
6
7

8 In the Matter of the Joint Petition of
9 Qwest Corporation, United Telephone
10 Company of the Northwest, CenturyTel
11 of Oregon, and CenturyTel of Eastern
Oregon for Approval of Price Plan
Pursuant to ORS 759.255 and Partial
Exemption Pursuant to ORS 759.052

JOINT PETITION FOR PRICE PLAN AND
PARTIAL EXEMPTION

12
13 Qwest Corporation d/b/a CenturyLink QC (“CenturyLink QC”), United Telephone
14 Company of the Northwest d/b/a CenturyLink (“United”), CenturyTel of Oregon d/b/a
15 CenturyLink (“CTL Oregon”), and CenturyTel of Eastern Oregon d/b/a CenturyLink (“CTL
16 Eastern Oregon”) (collectively “CenturyLink”), respectfully petition the Commission for
17 approval of a price plan and for exemption from certain rules and statutes. Specifically,
18 CenturyLink seeks a price plan and statutory exemptions (“2018 Plan”, *see* Exhibit A) that will
19 replace the two Price Plans the Commission approved in October of 2014 in Orders No. 14-345
20 and 14-347 (“2014 Plans”). Compared to the 2014 Plans, the 2018 Plan would provide
21 additional regulatory flexibility to help CenturyLink meet the intense and increasing competition
22 it is facing in its retail markets. Therefore, CenturyLink is seeking in this Petition regulatory
23 flexibility under both ORS 759.255 and ORS 759.052. CenturyLink also filed Price Plan
24 Reports (“Reports”), on January 4 and 6, 2017 in Dockets UM 1354 and UM 1686 respectively.
25 They outline CenturyLink’s performance under the 2014 Plans. In addition, CenturyLink
26

1 attaches information that will help to explain the increasing competitive pressures that
2 CenturyLink faces throughout Oregon. *See* Exhibit B.

3 Since the turn of the century, CenturyLink has steadily lost local voice service market
4 share to its competitors. In the past three years alone, just since the beginning of the 2014 Plans,
5 CenturyLink's Oregon access line count has fallen 26%. CenturyLink's longstanding, ongoing
6 market share and access line loss demonstrates that Oregonians' desire for non-mobile circuit-
7 switched voice services is waning while their appetite for mobile voice and all types of
8 broadband service increases. In steadily increasing numbers, Oregonians chose the mobility of
9 wireless voice services over the reliability of CenturyLink's circuit-switched landline voice
10 services. Of the minority of Oregonians that still have terrestrial voice service, more chose a
11 VoIP product than a circuit-switched service. In addition, satellite-based technologies are
12 available to customers in the state's most rural areas, providing access to both internet and voice
13 services.

14 Nearly two decades of competitive losses have left CenturyLink with very low market
15 share (in some cases in the low teens) in densely populated urban areas and market shares well-
16 below 50% even in some of the most remote areas in which it provides service. These small
17 market shares contrast with the virtual monopoly the company maintained over "captive"
18 ratepayers for most of the last century. With a monopoly over voice service CenturyLink could
19 recover its costs by charging captive urban and business ratepayers regulated rates that were
20 above the cost serving them and use the revenues in excess of cost to subsidize below-cost
21 regulated rates for rural and residential ratepayers. This has been referred to as the "Regulatory
22 Compact" – in exchange for a monopoly and a guaranteed reasonable return on investment, the
23 utility submitted to regulation by the state, including rate, service quality, and carrier of last
24 resort obligations.

1 As further explained in this Petition, it is now clearer than ever that the conditions that
2 allowed Oregon's telecommunications utilities to generate implicit subsidies, which were a
3 fundamental component of the Regulatory Compact, no longer exist. Lacking the ability to
4 generate implicit, internal subsidies, CenturyLink and other Oregon Telecommunications
5 Utilities are struggling to generate revenues from their few remaining customers sufficient to
6 maintain ubiquitous voice service throughout their serving territories. There are two ways to
7 address this problem. The first, and more complex way, is to establish explicit, external
8 subsidies to ensure service to the highest cost areas of the state. The second, and most
9 immediate way, is to grant this Petition so that CenturyLink can compete with its many
10 competitors on a more level regulatory playing field.

11 CenturyLink is not competing based purely on the quality and price of its voice service.
12 In Oregon's complex telecommunications marketplace, it is clear from the data that Oregonians
13 are choosing a telecommunications service provider based on the speed and quality of providers'
14 broadband connection and the quality of the content it can offer over it. Competition in this
15 broader telecommunications market is even more fierce than for voice service. Regulations that
16 force CenturyLink to devote substantial resources away from services wanted by the vast
17 majority of its few remaining customers reduces the company's competitiveness overall. These
18 facts are the basis for CenturyLink's request for both a new Price Plan and for partial exemption
19 under ORS 759.052.

20 I. PETITIONER INFORMATION

21 A. Name and Address

22 Petitioner's name and address are:

23 CenturyLink
24 310 SW Park, 11th Floor
25 Portland, OR 97205

1 **B. Communications and Notices**

2 All communications and notices with respect to this Petition should be addressed to:

3
4 Tre Hendricks
5 Senior Corporate Counsel
6 CenturyLink
7 902 Wasco Street
8 Hood River, OR 97031
9 Tel.: 541-387-9430
10 Tre.Hendricks@CenturyLink.com

11 Phil Grate
12 Director of State Regulatory Affairs
13 CenturyLink
14 1600 7th Avenue
15 Seattle, WA 98191
16 Tel.: 206- 345-6224
17 Phil.Grate@CenturyLink.com

18
19 **II. PROCEDURAL BACKGROUND**

20 In Order No. 14-346, Docket UM 1354, the Commission adopted a three-year price plan
21 for Qwest Corporation, d/b/a CenturyLink QC. As part of that price plan, CenturyLink QC was
22 given the option to extend the plan for a fourth year—on the condition that if the company
23 elected to extend the plan it would be required to petition the Commission for a new form of
24 regulation no later than the end of the third year of the Price Plan. Similarly, in Docket UM
25 1686, Order No. 14-347, the Commission adopted a three-year Price Plan for United, CenturyTel
26 of Oregon and CenturyTel of Eastern Oregon (collectively “CenturyTel/United”).

27 Last year, on September 27, 2016, CenturyLink QC and CenturyTel/United filed notices
28 of their intent to extend the price plans to a fourth year. That notices triggered requirements for
29 CenturyLink QC to petition the Commission by October 2, 2017, and CenturyTel/United by
30 October 6, 2017, for a new form of regulation.

31 On September 14, 2017, CenturyLink filed a request for extension of time to petition the
32 Commission for new forms of regulation. CenturyLink requested a three-week extension of time

1 to October 23, 2017, which the Commission granted on October 3, 2017, in Order Nos. 17-380
2 and 17-381.

3
4 **III. THE CURRENT PRICE PLANS**

5 **A. The Commission Approved the CenturyLink Price Plans Pursuant to ORS 759.255**

6 The Commission approved CenturyLink QC's current Price Plan in Order No. 14-346
7 and the CenturyTel/United Price Plan in Order No. 14-347 (collectively the "2014 Plans"),
8 pursuant to ORS 759.255. The statute authorizes the Commission to approve a plan under which
9 a telecommunications utility that provides local exchange service may charge prices that are
10 established "without regard to the return on investment of the utility." ORS 759.255(1). It
11 provides the Commission with flexibility to approve price plans beyond the alternative form of
12 regulation authorized in ORS 759.195. *Id.* Prices charged under an approved price plan are not
13 subject to the provisions of ORS 759.180 to 759.190, and the Commission has the authority to
14 waive certain statutes and rules. *Id.*

15
16 The Commission in finding that a Price Plan for each company is consistent with the
17 public interest considers whether it:

- 18
19 (a) Ensures prices for telecommunications services that are just and
20 reasonable;
21 (b) Ensures high quality of existing telecommunications services
22 and makes new services available;
23 (c) Maintains the appropriate balance between the need for
24 regulation and competition; and
25 (d) Simplifies regulation.

26 ORS 759.255(2). The Price Plans themselves permit future modifications, stating:

Evaluation of market, modifications to plan. The Commission will review
the data submitted by CenturyLink QC and any other relevant evidence
regarding the competitiveness of the market for services that are functionally

1 equivalent or substitutable for services offered by the Company, as well as
2 any other relevant factors, and determine whether other modifications to the
3 Plan are appropriate to provide CenturyLink QC with additional regulatory
flexibility beyond that included in the original Price Plan.

4 2014 Plans, section W. CenturyLink submits that its continuing market share loss since the
5 Commission approved the 2014 Plans necessitates the modifications it seeks in this Petition.

6 In addition, the 2014 Plans contemplate removal of the price cap:

7 **Petition to remove or adjust price caps.** [CenturyLink QC, United and Centurytel]
8 may petition the Commission to remove or adjust the price caps for primary line
9 residential basic service. [CenturyLink QC, United and Centurytel] will have the burden
10 of showing that the removal or adjustment of the price caps for primary line residential
11 basic service will result in rates that are just and reasonable. The Commission may also
consider whether removal or adjustment of the price caps is in the public interest,
considering the factors set forth in ORS 759.255(2). 2014 Plans, section B.2.

12 **B. CenturyLink has Performed Well Under the 2014 Plans**

13 On September 8, 2017, the Commission’s Staff (“Staff”) filed its Three Year Review
14 Reports of the 2014 Plans in Docket Nos. UM 1354 and UM 1686. In both reviews of the Price
15 Plans, the Commission adopted the Staff’s conclusions:

16 Staff concludes that the Price Plan met or will meet the Commission's Price Plan
17 statutory review criteria: 1) Ensuring prices for telecommunications services that
18 are just and reasonable; 2) Ensuring high quality of existing telecommunications
19 services and makes new services available; 3) Maintaining the appropriate balance
between the need for regulation and competition and 4) simplifying regulation.¹

20 Based on these conclusions and continuing, severe competitive losses, as shown in this Petition,
21 CenturyLink submits that additional regulatory relief under ORS 759.255 and 759.052 is
22 necessary and warranted.

23
24 **IV. COMPETITION NECESSITATES THE PROPOSED RELIEF**

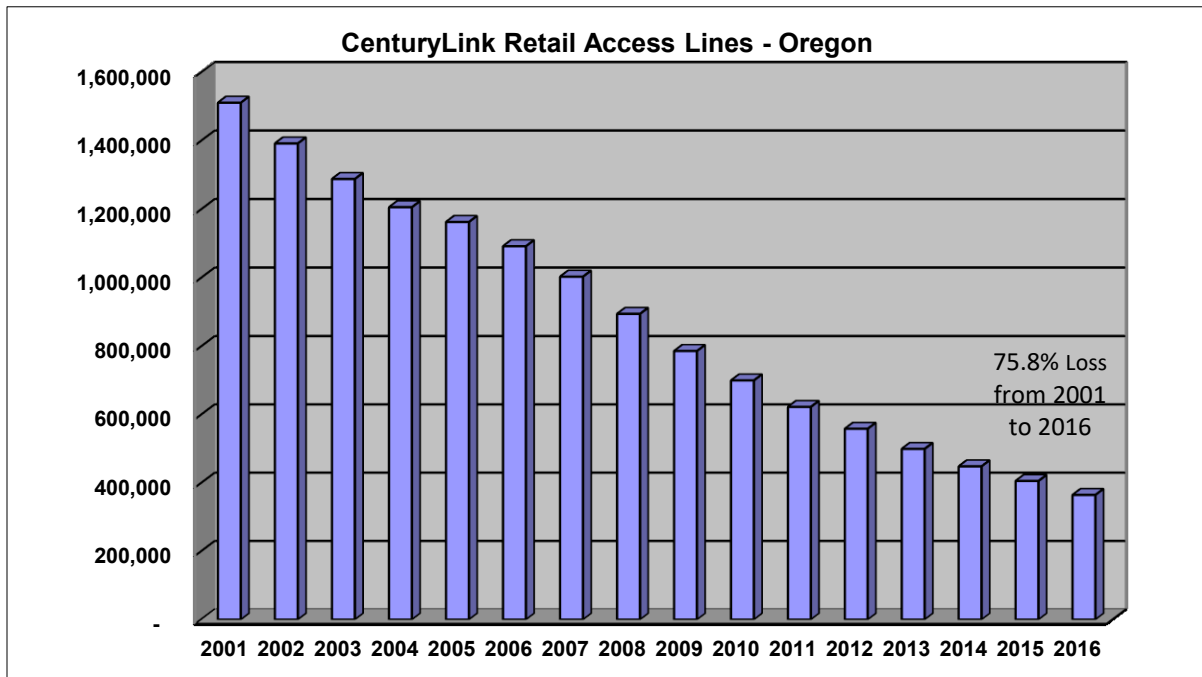
25
26

¹ Docket No. UM 1354, Order No. 17-379, Docket No. UM 1686, Order No. 17-378.

1 CenturyLink continues to face robust competition throughout its service territory in
2 Oregon that continually erodes CenturyLink's customer base and revenues. Traditional
3 competitors such as Comcast, Charter and BendBroadband, the major cable companies serving
4 much of CenturyLink's Oregon territory including most of the major cities and towns, along with
5 a number of Competitive Local Exchange Carriers ("CLECs") (such as Integra, XO, AT&T, and
6 Verizon) continue to aggressively compete with and win market share from CenturyLink. At the
7 same time, intermodal voice services from wireless companies such as AT&T, Verizon, Sprint
8 and T-Mobile, and Voice over Internet Protocol ("VoIP") services from companies like Vonage
9 and Google, have gained a significant share of the telecommunications market in the state.
10 Oregon consumers and businesses have numerous alternatives to satisfy their local voice calling
11 needs, whether that be from a wireless service provider or through VoIP over other broadband
12 providers networks. The Oregon telecommunications market is competitive, and it is reasonable
13 to conclude that the availability of persistent, highly effective competitive alternatives will
14 continue as new technologies are developed and customer preferences evolve.
15

17 Some of these competitors offer services to customers by purchasing wholesale services
18 from CenturyLink (including unbundled network elements, CenturyLink Local Services Platform
19 ("CLSP"), Special Access, and the resale of CenturyLink's retail services) while many other
20 competitors, including cable providers, wireless carriers and certain CLECs, offer services to
21 customers over their own facilities. In the fifteen years between December 2001 and December
22 2017 CenturyLink's Oregon retail access lines declined 75.8%, from 1.511 million to .365
23

1 million.² In the first three years of the 2014 Plans CenturyLink retail access lines declined 26%
2 from 455,368 lines in October of 2014 to 336,838 lines in September of 2017.³ The following
3 graph charts CenturyLink's year-end retail access line count over the past 16 years.
4



16 Over the period of CenturyLink's access line decline, U.S. Census data show significant
17 increases in both Oregon population and Oregon households. Over the fifteen years ended July
18 2016 Oregon's population increased by 18% from 3,467,937 in July 2001 to 4,093,465 in July
19 2016⁴ and the number of Oregon households increased by 17% from 1,480,893 in July 2001 to
20

21
22 ² Residential retail access lines dropped 80% and business retail access lines dropped 66% over
23 this time frame.

24 ³ Residential retail access lines dropped 29.3% and business retail access lines dropped 20.8%
25 over this time frame.

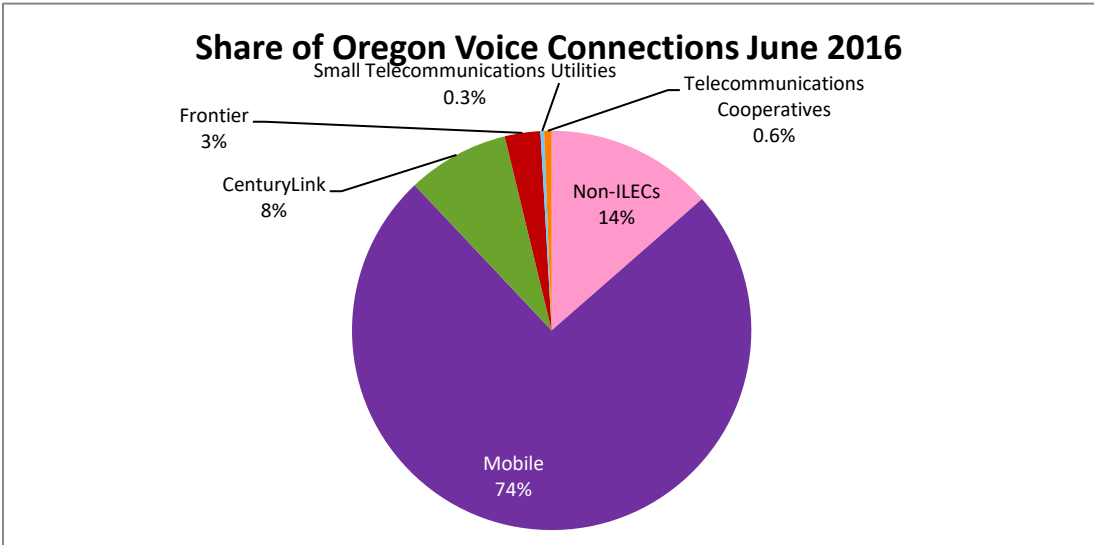
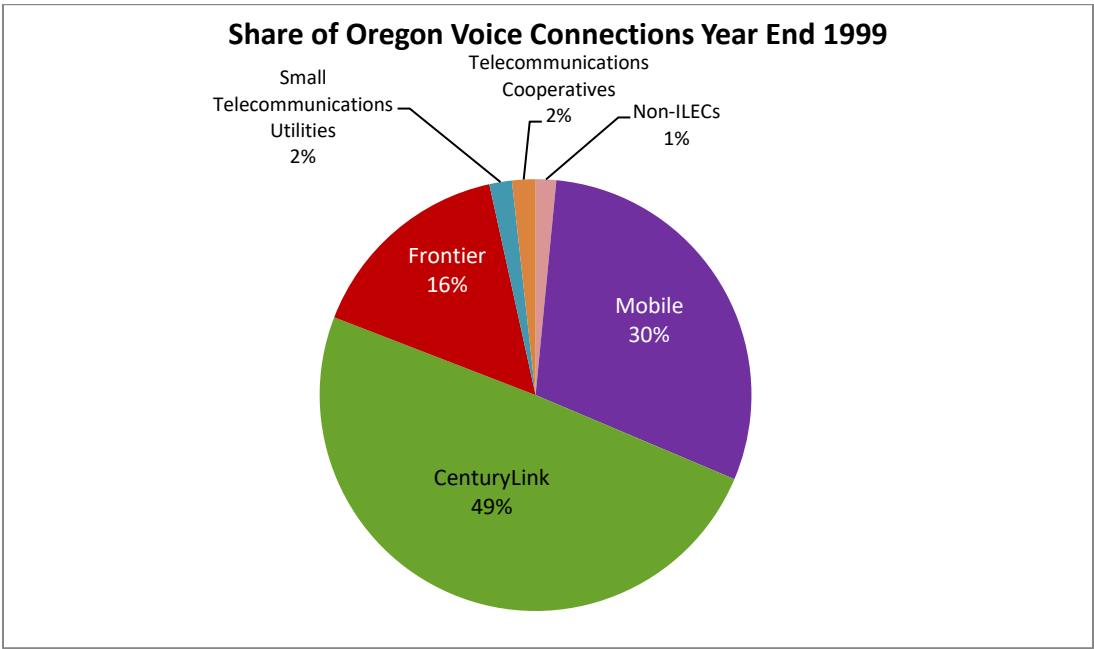
26 ⁴ US Census Bureau; See: <https://www2.census.gov/programs-surveys/popest/tables/2000-2010/intercensal/state/st-est00int-01.xls> and
https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2016_PEPANNR_ES&src=pt

1 1,732,786 in July 2016.⁵ Incorporating Oregon’s 18% population increase in the measurement of
2 CenturyLink’s competitive losses requires multiplying CenturyLink’s 75.8% Oregon access line
3 loss by 118% which yields a population-growth-adjusted competitive loss of nearly 90%.

4 Every six months the FCC compiles voice connection data for the following providers:
5 CLECs (such as Comcast, XO and Integra); Wireless providers (such as Verizon, AT&T, T-
6 Mobile and Sprint); and Incumbent Local Exchange Carriers (“ILECs” such as CenturyLink,
7 CenturyTel and Frontier). The FCC presents this data in its *Voice Telephone Services Reports*.
8 These reports demonstrate how CenturyLink and other ILECs’ share of the voice market in
9 Oregon has shrunk as customers have migrated from the ILECs to cable, wireless, CLEC and
10 VoIP service providers. The following two charts chronicle the change in the share of voice
11 connections in Oregon.
12
13
14
15
16
17
18
19
20
21
22
23

24 ⁵ US Census Bureau; See: <https://www2.census.gov/programs-surveys/popest/tables/2000-2010/intercensal/housing/hu-est00int-01.xls> and
25 [https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2016_PEPANR
26 ES&src=pt](https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2016_PEPANR ES&src=pt)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26



The charts show wireless providers' share (including residence and business lines) grew from 30% in 1999 to 74% in 2016. The non-ILEC share grew from 1% in 1999 to 14% in 2016. The ILEC share (CenturyLink, Frontier, Coops and Rural ILECs) shrank from 69% in 1999 to 11.9%

1 in 2016.⁶ Plain and simple, customers have resoundingly chosen broadband and mobility, not
2 CenturyLink's and other ILECs' plain old telephone service.

3 CenturyLink's wireline services also face competition from non-voice services such as
4 email, texting, internet communication and social networking sites. These services provide users
5 with the ability to communicate instantly across a wide variety of platforms and customer
6 equipment.
7

8 In addition, satellite providers now offer voice service that meet the FCC's criteria for
9 receiving CAF II auction funding.⁷ Satellite voice service is offered using two methods. The
10 first is like traditional cellular wireless service. The primary difference is the distance to the
11 network connection. For mobile wireless service, the cell tower connection is within the local
12 area of the wireless handset. As a wireless user moves from one cell site's coverage area to
13 another, the call is handed off so there is no call disconnection. A satellite voice call works
14 similarly, but the network connection to a satellite is hundreds or thousands of miles in the sky.
15 Satellite voice service has been improving rapidly over the past decade and with the newest
16 generation of satellite hardware/software, it is a functionally equivalent substitute to landline
17 voice service, although prices tend to be higher. There are several satellite voice providers,
18 including ViaSat, GlobalStar and EchoStar.
19
20

21 The other type of satellite voice service is "home-based" satellite service that is delivered
22 using VoIP on the satellite providers broadband network. It is functionally equivalent to
23

24 ⁶ *Voice Telephone Services : Status as of June 30, 2016*; Industry Analysis and Technology Division,
25 Wireline Competition Bureau, August 2016, Supplemental Table 1. Voice Subscriptions – Oregon,
<https://www.fcc.gov/wireline-competition/voice-telephone-services-report>

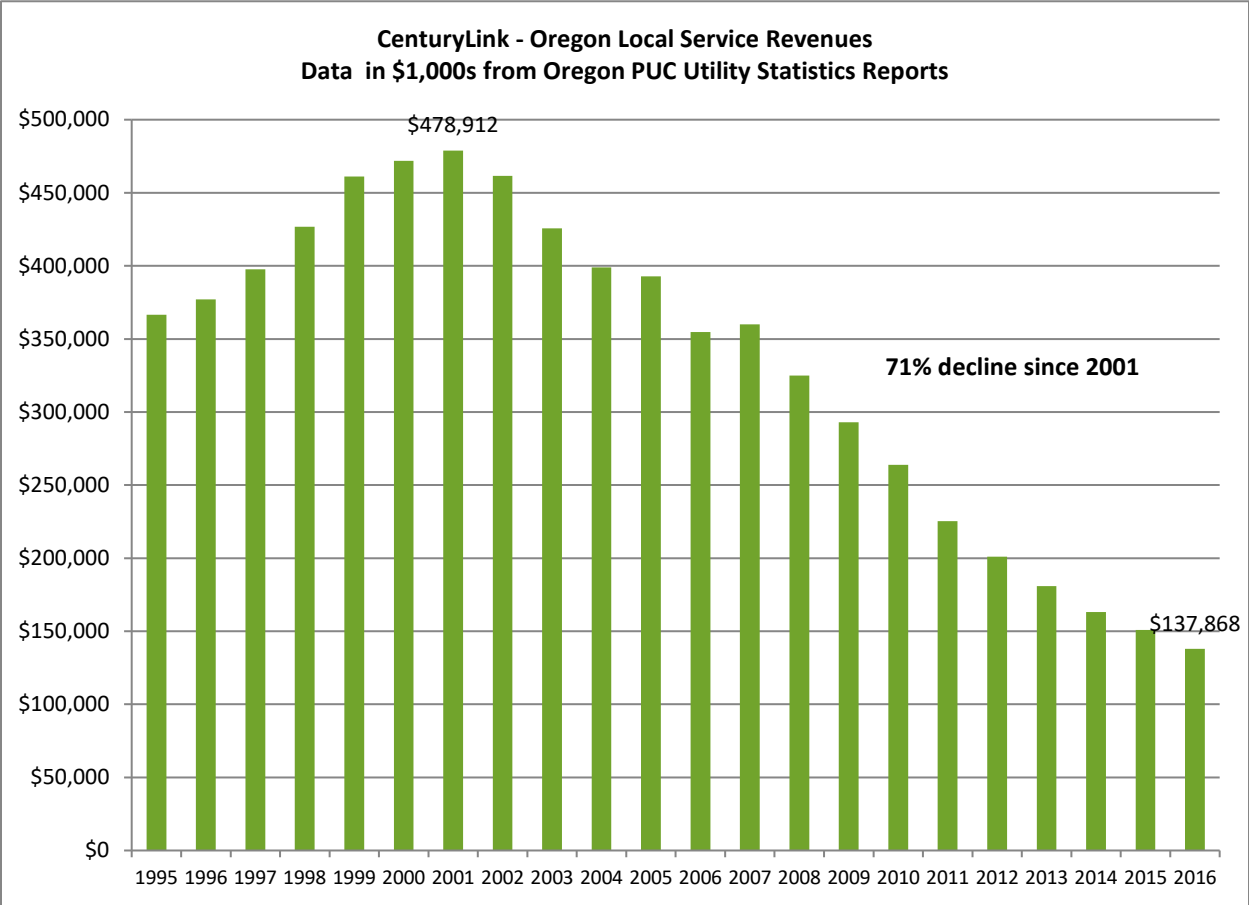
26 ⁷ FCC 17-12, Report and Order and Order on Reconsideration toward implementing CAF II
Auction, paragraph 31, footnote 70.

1 CenturyLink's voice service and is offered at reasonably comparable rates and terms. For this
2 type of service, the customer subscribes to broadband and voice service from Exede (a subsidiary
3 of ViaSat) or HughesNet (a subsidiary of EchoStar), or any other provider that offers a
4 broadband connection. Voice service is provided through an adapter using the existing phone
5 jacks in the house, allowing the consumer to use their existing wired or cordless phones. The
6 adapter sends voice calls through the system's modem to the dish attached to the house and on to
7 the satellite. The satellite communicates with an earth base station that connects to the internet
8 and to the Public Switched Telephone Network. This type of satellite voice is part of the
9 services offered with the more recent generations of satellites and base station software and data
10 connections.
11

12 With the addition of the in-home adapters and the connection to the modem for
13 communication to the satellite, voice service latency (delay) has been minimized, which allows
14 voice service to be provisioned in a manner that is virtually indistinguishable from landline voice
15 service. And with the improvement in satellite services, voice service from over-the-top VoIP
16 providers across satellite broadband service is now available. The satellite voice service rates are
17 competitive with other types of providers, and over-the-top VoIP service also works over the
18 satellite broadband connection. Thus, even in the most remote, very high cost areas in Oregon
19 there are viable alternatives to CenturyLink's voice services that are functionally equivalent or
20 substitutable at comparable rates and under comparable terms and conditions.
21

22 Unsurprisingly, CenturyLink's access line decline has been accompanied by
23 commensurate revenue declines, particularly in local service revenue. The following graph
24 charts CenturyLink's annual local service revenue over the past 22 years.
25
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26



The graph shows that in the 15 years since 2001 CenturyLink’s annual local service revenues have declined by \$334 million. During this same 15-year period, all other CenturyLink annual revenues declined \$134 million for a total decline of \$468 million.

V. ADDITIONAL REGULATORY RELIEF IS NECESSARY

Few of CenturyLink’s competitors are regulated by the Oregon Public Utilities Commission, and none are regulated as heavily as CenturyLink. Regulation imposes additional costs borne by CenturyLink but not its competitors. Regulation limits CenturyLink’s ability—but not its competitors’ ability—to respond to a dynamic, ever changing marketplace. For example, under regulation CenturyLink must continue to expend substantial resources to provide plain old

1 telephone service (POTS) while its competitors devote their resources exclusively to satisfying
2 actual customer demand which is for mobile voice and data and high speed internet service that
3 can provide voice as an “application.” So, while wireless providers and cable VoIP providers are
4 not subject to regulation, CenturyLink remains constrained in the prices it can charge, and the
5 terms and conditions under which it can offer service.

6 Moreover, CenturyLink remains the only telecommunications provider that is required to
7 provide service on demand to all customers in its service territory (subject to its tariffs) virtually
8 without regard to cost. When CenturyLink was the *de facto* utility provider of voice
9 telecommunications service it could serve high-cost rural and remote areas and still achieve a
10 reasonable return on its investment by charging “captive” customers in low cost areas regulated
11 rates that exceeded the cost of service. The excess revenues provided an internal source of
12 subsidy for high cost areas that was “implicit” in the rates that the Commission reviewed and
13 approved in a ratemaking proceeding. With a relatively small per-customer increase to rates in
14 lower cost urban areas, CenturyLink could internally subsidize below-cost rates in high cost
15 areas. Because cost-of-service ratemaking was designed to provide a telecommunications utility
16 a reasonable opportunity for full cost recovery from captive ratepayers, carriers operating under
17 it could afford to offer service on demand to all customers in their service territories.

18 As competition developed in the late-1990’s, the federal government and some states,
19 including Oregon, created universal service funds to support the provision of service in high-cost
20 areas where rates based on the actual cost of service would be unaffordable to most people. This
21 helped telecommunications utilities recover some of the costs of serving high cost areas as they
22 lost customers paying above-cost rates in low cost areas and the implicit, internal subsidies those
23 above-cost rates provided.

24 In Oregon however, the Oregon Universal Service Fund (OUSF) never acted as a subsidy
25 for CenturyLink QC in high cost areas. In fact, the OUSF has done nothing but financially harm
26

1 CenturyLink QC. When the Commission first established the OUSF for CenturyLink QC it
2 provided (in 2002) \$27 million of annual support but required Century QC to reduce its revenues
3 through rate reductions for business services by an amount equal to the new OUSF support. So,
4 at inception, the OUSF provided CenturyLink QC no net increase in revenue.⁸ Since then,
5 CenturyLink QC's annual draw from the OUSF has declined to \$9 million (in 2017). So, to date,
6 the OUSF has served only to reduce CenturyLink QC's annual revenues by \$18 million (a figure
7 unadjusted for 15 years of inflation) even as competition took most of CenturyLink's access lines
8 and local service revenues and, with them, CenturyLink's ability to recover the costs of
9 providing service to customers in high cost areas. In 2017, CenturyTel and United will receive
10 approximately \$5 million of OUSF support. As a result, the overall net benefit of the OUSF to
11 CenturyLink in 2017 was actually a negative \$13 million (negative \$18 million for Qwest plus
12 positive \$5 million for CenturyTel and United).

13 **VI. THE PETITION MEETS THE REQUIREMENTS OF ORS 259.255**

14 Oregon law sets forth the standard that the Commission must apply in deciding whether
15 to grant the relief CenturyLink requests as part of a new price plan. ORS 759.255 provides:
16

- 17 (2) Prior to granting a petition to approve a plan under subsection (1) of this section,
18 the commission must find that the plan is in the public interest. In making its
19 determination the commission shall consider, among other matters, whether the
20 plan:
- 21 (a) Ensures prices for telecommunications services that are just and
22 reasonable;
 - 23 (b) Ensures high quality of existing telecommunications services and makes
24 new services available;
 - 25 (c) Maintains the appropriate balance between the need for regulation and
26 competition; and
 - (d) Simplifies regulation.

⁸ OPUC Order No. 00-312, Issue 12, pp. 28-29.

1 The Petition meets each of these requirements. CenturyLink is facing substantial and highly
2 effective competition throughout its service territory. Competition, not regulation, will best
3 ensure that prices are reasonable. And as is demonstrated by the growth and diversity of
4 competition that currently exists in Oregon, the availability of new services has blossomed while
5 CenturyLink has operated under its Price Plans. Given the highly effective competition facing
6 CenturyLink , the petition maintains the appropriate balance between regulation and competition.
7 Competition will ensure that prices remain reasonable and that new services become available.
8 And it simplifies regulation to help ensure that the CenturyLink can compete and remain a viable
9 provider of telecommunication services in Oregon, something that, quite frankly, is called into
10 question given the Companies continuing market share losses and revenue declines.
11 CenturyLink therefore requests relief as set forth in Exhibit A, which the Commission is
12 authorized to grant under ORS 759.255.
13
14

15 **VII. CENTURYLINK SEEKS ADDITIONAL RELIEF FROM REGULATION UNDER**
16 **ORS 759.052**

17 ORS 759.255 grants the Commission only limited authority. It authorizes the
18 Commission to waive only a limited set of regulatory requirements. And while that relief is
19 necessary for CenturyLink’s viability as a plain old telephone service provider in Oregon, it is
20 not sufficient. In order to meet the crushing competition that CenturyLink faces in Oregon,
21 CenturyLink needs additional relief. The company is seeking that relief pursuant to ORS
22 759.052, which provides two different ways for the Commission to grant full or partial
23 (conditional) exemption from regulation.
24
25
26

1 Under the first method, the Commission *may*, at its discretion, grant an exemption in
2 whole or in part if it finds that price or service competition exists, *or* a petitioner demonstrates a
3 service is subject to competition, *or* the public interest no longer requires full regulation:
4

5 (1) (a) Upon petition by any interested party and following notice and investigation,
6 the Public Utility Commission may exempt in whole or in part from regulation those
7 telecommunications services for which the commission finds that:

8 (A) Price or service competition exists;

9 (B) Telecommunications services can be demonstrated by the petitioner or
10 the commission to be subject to competition; or

11 (C) The public interest no longer requires full regulation of the
12 telecommunications services.

13 (b) The commission may attach reasonable conditions to an exemption made
14 under paragraph (a) of this subsection and may amend or revoke any order as
15 provided in ORS 756.568.

16 Under subsection (2) of the statute, the Commission shall exempt a service if the Commission
17 finds that price and service competition exist.

18 (2) Upon petition by a telecommunications utility, and after notice and hearing, the
19 commission shall exempt a telecommunications service from regulation if the
20 commission finds that price and service competition exists.

21 In determining whether price and service competition exist, the Commission must consider a
22 number of factors. The statute provides:

23 (3) Prior to making the findings required by subsection (1) or (2) of this section, the
24 commission shall consider:

25 (a) The extent to which services are available from alternative providers in the
26 relevant market.

(b) The extent to which the services of alternative providers are functionally
equivalent or substitutable at comparable rates and under comparable terms and
conditions.

(c) Existing economic or regulatory barriers to entry.

(d) Any other factors deemed relevant by the commission.

CenturyLink asserts that the additional relief it requests meets both tests set forth in the ORS
759.052. See Exhibits A, B and C.

1 It is critical to understand that the additional relief that CenturyLink seeks under ORS
2 759.052 is not extreme. There are, quite simply, regulations that are no longer useful or relevant
3 in today's competitive market; regulations upon which ORS 759.255 does not confer the
4 Commission the authority to limit or waive. CenturyLink is not seeking a full, unfettered
5 exemption for any service. Rather, it is asking for reasonable and measured relief from
6 regulation that no longer makes sense in its current form given the competitiveness of the market
7 for telecommunications service. Furthermore, the relief CenturyLink seeks can be reversed by
8 the Commission under the current law at any time. There is a claw-back provision in the statute
9 that provides:
10

11 (4) A service that is deregulated under subsection (2) of this section may be reregulated,
12 after notice and hearing, if the commission determines an essential finding on which the
13 deregulation was based no longer prevails, and reregulation is necessary to protect the
public interest.

14 So, there is little risk of harm were market conditions to change. Therefore, CenturyLink asserts
15 that, as described above, both service and price competition exist for its voice services and it
16 seeks the following relief under ORS 759.052 as set forth in Exhibit A.

17 //

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

26 //

1 **VIII. CONCLUSION**

2 For the foregoing reasons, CenturyLink respectfully requests that the Commission
3 approve the proposed price plan modifications and partial exemptions from regulation as set
4 forth in Exhibit A without changes or conditions.

5
6 Dated: 23rd day of October 2017.

7 Respectfully submitted

8 

9
10 By: _____
11 William E. Hendricks
12 Senior Corporate Counsel
13 CENTURYLINK
14 902 Wasco Street
15 Hood River, OR 97031
16 tre.hendricks@centurylink.com

Qwest Corporation, CenturyTel of Oregon, CenturyTel of Eastern Oregon, and United Telephone Company of The Northwest Proposed ORS 759.255 Price Plan, ORS 759.052 Exemptions and OAR Waivers

1) Definitions:

- a) "CenturyLink" means Qwest Corporation, CenturyTel of Oregon, CenturyTel of Eastern Oregon, and United Telephone Company of The Northwest
- b) "New service" means a retail telecommunications service that is offered by CenturyLink in Oregon for the first time following the effective date of this price plan. A service is not 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 provided for free, withdrawn or abandoned.
- c) "Primary line basic residential service" means the first line only of basic local exchange service, without any features, for an individual residential customer account at a single location that is not sold as part of a package.
- d) "Packages and Bundles" means any combination of services which may include basic residential or business exchange service as well as other services at a combined price
- e) "Conversion costs" has the same meaning as in OAR 860-022-0046.
- f) "Facility relocation costs" has the same meaning as in OAR 860-024-0011.
- g) "Privilege tax" has the same meaning as in OAR 860-022-0042.

2) General Objectives:

- a) CenturyLink's Plan ("Plan") will achieve the following objectives:
 - i) Ensure a framework for offering telecommunications service that is in the public interest.
 - ii) Ensure the availability of high quality telecommunications services to Oregonians.
 - iii) Yield just and reasonable prices for CenturyLink's retail telecommunications services.
 - iv) Balance the need for regulation in Oregon's open market for voice communications.
 - v) Simplify and reduce the level of regulation for CenturyLink to render it more consistent with the regulation of its competitors for intramodal and intermodal voice services.

3) Term of Plan and Commission Review:

- a) The Plan will continue until modified by a change in applicable law, an order of the Oregon Public Utilities Commission, or a final order in a CenturyLink initiated Petition to modify pursuant to ORS 759.255, 759.052 or any other form of regulation or relief permitted under Oregon law.
- b) The company shall submit a Plan performance report every four years with the first report being due four years after the date the plan becomes effective. The report shall address how the objectives of the Plan are being met and shall include at a minimum the following information:
 - i) An analysis of current market conditions for the various categories of CenturyLink's regulated retail intrastate telecommunications services to the extent such information is publicly available.
 - ii) Data regarding the gain or loss of access lines by CenturyLink wire center.

- iii) Identification of any ways in which the burden of regulation for both CenturyLink and the Commission has been simplified or reduced during the four-year period and
 - iv) Any recommendations for further simplification or reductions in regulation that CenturyLink would like to make.
- 4) Pricing and Availability of Services under the Plan:
- a) During the term of the Plan the rates, terms and conditions that CenturyLink charges under its approved tariffs and price lists are just and reasonable and will be its published terms as of the effective date of the Plan.
 - i) Pricing:
 - (1) Non-recurring charges for residential and business primary line service.
 - (a) Charges will not be subject to price caps.
 - (2) Recurring charges for residential service
 - (a) CenturyLink will not further deaverage rates for primary line basic residential service.
 - (b) Recurring rates for primary line basic residential service may not increase by more than the greater of 10% or \$3.00 in any twelve-month period.
 - (c) Rates for existing extended area service (EAS) are capped at current rates. For billing purposes, CenturyLink may combine EAS and the rate for residential service into a single rate. CenturyLink will not be required to establish any new or expanded EAS routes.
 - (d) Prices for all other residential services will not be subject to price caps.
 - (e) CenturyLink may restrict the availability of residential measured services to existing customers and is not required to take new subscribers for this service. CenturyLink may petition the Commission to discontinue this service.
 - (i) Monthly rates for the line component of measured residential service are subject to a price cap benchmark equal to 90% of CenturyLink's flat rate primary line basic residential service for the same wire center.
 - (3) Recurring charges for all business services
 - (a) Charges will not be subject to price caps.
- 5) Telephone Assistance Plans.
 - a) CenturyLink will participate in the Oregon Telephone Assistance Plan in accordance with Oregon statutes and rules.
- 6) E911 Services:
 - a) Rates will remain at existing levels upon adoption of the Plan. CenturyLink may petition the Commission separately for any proposed changes or price structures.
- 7) Switched Access Rates:
 - a) Rates for intrastate switched access services will be capped at current rates and the Commission may adjust the price caps if required by FCC action.

8) DS-1 and ISDN-PRI Services:

- a) Rates for DS-1, DS-3 and ISDN-PRI services will not be subject to price caps.

9) New Services:

- a) Any new service introduced after the effective date of the Plan will not be subject to price caps.

10) Packages and Bundles:

- a) CenturyLink may combine any regulated telecommunications service with any other service(s) to offer packages and bundles of services, which may include primary line basic residential service and EAS, at prices, terms and conditions determined by the company.
- b) CenturyLink is not required to state on customer bills late payment charges on regulated telecommunications services separately from late payment charges on other services so long as the late payment rate is the same for both.

11) Intrastate Special Access:

- a) Nothing in this Plan affects existing intrastate special access services. CenturyLink may petition the Commission separately for any proposed rate changes to intrastate special access services.

12) Non-Controllable Cost Recovery:

- a) When an Oregon local government requires CenturyLink to convert telecommunications facilities at CenturyLink's expense, CenturyLink may collect the total actual conversion costs from Oregon customers as a separate line item on customer bills.
- b) CenturyLink may pass through as a separate line item on all customer bills the total amount of all unreimbursed facility relocations costs for any relocation projects required by governmental bodies or agencies.
- c) CenturyLink may pass through as a separate line item on all customer bills the total costs of complying with OAR 860-024-0011. Compliance costs may include, but are not limited to, the use of third party contractors.

13) Recovery of Mandatory Taxes and Fees:

- a) Following 30-days' notice to customers and the Commission, CenturyLink may recover any public utility privilege tax as a pro rata charge equal to the rate imposed by the municipality and shown as a separate line item on all applicable customer bills.
- b) If any county in Oregon, other than a city-county, imposes upon CenturyLink any taxes or license, franchise, or operating permit fees, or increases any such taxes or fees, CenturyLink may, following 30 days' notice to customers and the Commission, collect from its customers within the county imposing such taxes or fees the amount of the taxes or fees, or the amount of increase in such taxes or fees. If the taxes or fees cover the operations of CenturyLink in only a portion of a county, then CenturyLink may recover the amount of the taxes or fees or increase in the amount thereof from customers in the portion of the county which is subject to the taxes or fees. "Taxes," as used in this subsection, has the same meaning as "taxes" in OAR 860-022-045.
- c) CenturyLink may recover as a separate line item on all customer bills any new or increased state or local tax including but not limited to any tax that may be based on revenue, margin,

commercial activities or privilege to which CenturyLink may become subject to during the term of the Plan.

- d) Following 30 days' notice to customers and the Commission, CenturyLink may recover the PUC fee as a separate line item on customers' bills at a rate equal to the rate imposed by the PUC on CenturyLink.

14) Exogenous change adjustments:

- a) CenturyLink may petition the Commission for adjustments to the price cap for any service provided under the Plan to reflect factors outside the Company's control, which will increase the Company's costs or reduce its revenue (e.g., force majeure events, changes in law, rule, or tax level structure that result from legislative, judicial, or federal and or state administrative agency action). For example, the Company may request consideration of changes in Universal Service Support or FCC price floors.

15) Notice of tariff and Price List changes:

- a) CenturyLink will provide the Commission notice of price increases or other changes to terms and conditions for services under price cap by making tariff filings at least 10 days prior to the effective date of such price changes. The Company will provide the Commission notice of price decreases for services under price cap by making tariff filings at least one day prior to the effective date of such price decreases.
- b) CenturyLink will make price list changes for all other services, including New Services, Other Services, and Packages and Bundles, at least one day prior to the effective date of any price change.

16) Services exempt from regulation:

- a) CenturyLink services that the Commission has already ordered to be exempt from regulation will remain exempt from regulation subject to the conditions of the applicable order. CenturyLink retains the ability to petition the Commission to exempt any additional services from regulation under ORS 759.052 or any other applicable rule or law.

17) Promotions:

- a) CenturyLink may offer promotions for primary line basic residential service, including stand-alone primary line basic residential service, and other regulated and or non-regulated service pursuant to ORS 759.182.

18) Service Quality:

- a) CenturyLink may file a petition with the commission to open a rulemaking to review and consider revising the Commission's service quality rules.

19) Reporting:

- a) Form O - CenturyLink will continue to file with the Commission Form O annually as described below.
 - i) CenturyLink's Form O will include Oregon-specific information.

- ii) CenturyLink's Form O will not include regional information.
- iii) CenturyLink's Form O will include all Form O schedules except:
 - B-2. Analysis of Depreciation and Amortization;
 - B-3. Analysis of Charges related to Plant Retired;
 - B-4. Long-term Debt;
 - I-4. Operating Taxes other than Federal Income Tax;
 - I-6. Reconciliation of Reported Net Income with Taxable Income for Federal Income Tax;
 - I-7. Reconciliation of Reported Net Income with Taxable Income for Oregon State Excise Tax;
 - I-8. Transactions with Affiliated and NonRegulated Operations.
- b) Form I
 - i) CenturyLink will not file the Commission's annual Form I.
 - ii) CenturyLink will file certain Form I information in the UM 1481 Docket as set forth in Exhibit A to this Plan for purposes of allowing OPUC Staff to perform bi-annual calculations for the re-allocation process described in Attachment 2 to the UM 1481 Phase III Revised Stipulation the Commission adopted in Order No. 16-093.
- c) Affiliate Transactions
 - i) CenturyLink will not file with the Commission a report of all affiliated interest contracts executed during the period from January 1 through December 31 of the immediately preceding year.

20) Carrier of last resort (COLR) obligations

- a) CenturyLink will continue to comply with ORS 759.506 in all wire centers that were designated as high cost in Docket No. UM 1481, Order No. 10-496 and continue to receive Oregon universal service fund support under the terms of the stipulation in Docket No. UM 1481. CenturyLink is granted exemption from ORS 759.506 in any wire center that does not receive Oregon universal service fund support.
 - i) In exchanges subject to COLR obligations: If in the company's opinion, placement of facilities to serve areas of subdivided land may have only limited subscription or present to CenturyLink substantial risk that these costs may be not recovered through revenues generated by sales of services in the subdivision, CenturyLink may assess construction charges to the land developer, individual or party requesting service for the cost of placement of facilities to serve any previously unserved location. Construction charges may include recovery of all costs associated with placement of facilities. Payment of construction charges may be required prior to the commencement of work.
- b) CenturyLink is permitted to file revisions to its tariffs and price lists whereby applicants for service are required to pay all line extension costs, including the cost of necessary easements, before CenturyLink will extend service.
- c) Following 60 days' notice to all customers of the service to be abandoned, and without Commission approval, CenturyLink is permitted to abandon any service except primary line basic residential service and any service that allows access to the emergency 9-1-1 reporting system.
- d) CenturyLink may decline to extend service to unserved territory.

21) Exemption from regulation and waiver of statutes, rules and prior commission orders under ORS 759.255:

- a) Waiver - Pursuant to ORS 759.255(5) CenturyLink's compliance with the following statutes and the Commission rules implementing these statutes, is waived in full:
- ORS 759.120 Form and manner of accounts prescribed by Commission;
 - ORS 759.125 Records and accounts prescribed by Commission; prohibition on other records or accounts; exception; blanks for reports;
 - ORS 759.130 Closing date of accounts; filing balance sheet; audit;
 - ORS 759.135 Depreciation accounts; un-depreciated investment allowed in rates; conditions;
 - ORS 759.180 Hearing on reasonableness of rates; procedures; exceptions;
 - ORS 759.182 Rate schedules for service promotions; rules
 - ORS 759.185 Suspension of rates pending hearing; time limitation; refund of revenue collected; interim rates;
 - ORS 759.190 Notice of Schedule Change;
 - ORS 759.195 Price listing of services; conditions; maximum rates; essential services; justification by utility of rates for price-listed services;
 - ORS 759.200 Inclusion of amortizations in rates; deferral of certain expenses or revenues; limitation on amounts; prohibited uses;
 - ORS 759.205 Conformance of rates charged with schedule;
 - ORS 759.215 Public access to schedules;
 - ORS 759.220 Joint rates and classifications; procedure; considerations;
 - ORS 759.285 Charging rates based on cost of property not presently providing service;
 - ORS 759.300 to ORS 759.360 - Issuance of Securities; and
 - ORS 759.375 to 759.393 Transactions of Utilities.
- b) Exemptions - Pursuant to ORS 759.052 all of CenturyLink's services are exempt from the following statutes and the Commission rules implementing these statutes, unless a partial exemption is noted:
- ORS 758.025 Relocation of utilities in highway right of way; required consultation; recovery of costs, to the extent that it limits recovery of relocation costs to costs that are substantial and beyond the normal course of business¹;
 - ORS 759.210 Classification of service and rates; considerations;
 - ORS 759.218 Revenues and expenses of unregulated activities;
 - ORS 759.230 Measured service rate for business customers; restriction;
 - ORS 759.250 Contracts for special services; procedure for filing and approval; subsequent review and investigation;
 - ORS 759.257 Extended area service: Portland to Scappoose;
 - ORS 759.259 Extended area service: Portland to Molalla;
 - ORS 759.270 Reducing rates for persons furnishing part of facilities; rental of customer facilities; furnishing meters and appliances;
 - ORS 759.506 Purpose of allocated territory laws; carrier of last resort obligations; exemptions from obligations; reinstatement of obligations except in wire centers that receive support from the Oregon Universal Service Fund that, when combined with

¹ To facilitate section 12(a) of this Plan

- intrastate revenues generated in such wire centers, is sufficient to allow CenturyLink to recover all intrastate costs of providing intrastate service in such wire centers;²
- ORS 759.580 Power of commission to require service to unserved territory.³
- c) Rules - Pursuant to waiver authority the Commission has granted itself in each Division of the Commission's rules, CenturyLink's compliance with the following rules is waived in full, unless a partial waiver is noted:
- OAR 860-021-0126 Late-Payment Charge;
 - OAR 860-021-0200 Establishing Credit for Residential Utility Service;
 - OAR 860-021-0206 Payment Arrangements for Deposit and Installation Charges for Residential Telecommunications Utility Service;
 - OAR 860-021-0210 Interest on Deposits for Residential and Nonresidential Utility Service;
 - OAR 860-021-0320 Disconnection of Service on Weekends and Holidays;
 - OAR 860-021-0610 Telephone Solicitation Notices by Large Telecommunications Utilities;
 - OAR 860-021-0620 Customer Notification and Information Delivery Services for Large Telecommunications Utilities;
 - OAR 860-022-0019 General Rate Revisions;
 - OAR 860-022-0025 Requirements for Filing Tariffs or Schedules Changing Rates;
 - OAR 860-022-0030 Requirements for Filing Tariffs or Schedules Naming Increased Rates;
 - OAR 860-022-0035 Special Contracts;
 - OAR 860-022-0042 Relating to City Privilege Taxes, Fees, and Other Assessments Imposed Upon a Large Telecommunications Utility⁴;
 - OAR 860-022-0045 Relating to Local Government Fees, Taxes, and Other Assessments Imposed Upon an Energy or Large Telecommunications Utility⁵;
 - OAR 860-022-0046 Forced Conversion of Electric and Communication Facilities⁶;
 - OAR 860-022-0047 Recovery of Certain Facility Relocation Costs⁷.
 - OAR 860-023-0005 Maintenance of Plant and Equipment by Energy Utilities, Large Telecommunications Utilities, and Intrastate Toll Service Providers in wire centers not fully supported by Oregon Universal Service Fund support;
 - OAR 860-025-0055 Exemption from Carrier of Last Resort (COLR) Obligations;⁸
 - OAR 860-025-0060 Reinstatement of Carrier of Last Resort (COLR) Obligations;⁹
 - OAR 860-025-0065 Allocation of Carrier of Last Resort (COLR) Reinstatement Costs;¹⁰
 - OAR 860 Division 26 Sales Promotions;
 - OAR 860-027-0016 Accounting for Director's Fees;
 - OAR 860-027-0030 through OAR 860-027-0052;
 - OAR 860-027-0070 Annual Report Requirements for Electric, Large Telecommunications, Gas, and Steam Heat Utilities except as provided in section 19 of this Plan;¹¹

² To facilitate section 20 of this Plan

³ To facilitate subsection 20(d) of this Plan

⁴ To facilitate subsection 13(a) of this Plan

⁵ To facilitate subsection 13(b) of this Plan

⁶ To facilitate subsection 12(a) of this Plan

⁷ To facilitate subsection 12(b) of this Plan

⁸ To facilitate section 20 of this Plan

⁹ To facilitate section 20 of this Plan

¹⁰ To facilitate section 20 of this Plan

- OAR 860-027-0100 Reporting of Affiliated Transactions;¹²
 - OAR 860-032-0020 Abandonment of Service except with regard to primary line basic residential service and any service that allows access to the emergency 9-1-1 reporting system.¹³
- d) Orders - The Commission waives its prior orders as follows:
- Partial waiver of Condition # 12 in Commission Order 10-067 (appendix A) in Docket UM 1431 imposing as a condition of approval of the merger a requirement that CenturyLink submit Form O and Form I. CenturyLink will file Form O and Form I as described in section 19 of this Plan.¹⁴
 - Partial waiver of Condition #11 in Commission Order 11-095 (appendix A) in Docket UM 1484 imposing as a condition of approval of the merger a requirement that CenturyLink QC annually submit Form O and Form I. Qwest, Centurytel and United will file Form O and Form I as described in section 19 of this Plan.¹⁵

¹¹ To facilitate subsections 19(a) and 19(b) of this Plan

¹² To facilitate subsection 19(c) of this Plan

¹³ To facilitate subsection 20(c) of this Plan

¹⁴ To facilitate subsections 19(a) and 19(b) of this Plan

¹⁵ To facilitate subsections 19(a) and 19(b) of this Plan

Unshaded areas designate data fields to populate in Form I filings pursuant to OR Plan Exhibit A Section 19(b).
Form I page 1 & 2:

FCC Account and Description	Line No.	Total Oregon Operations Subject To Separations
SUMMARY		
Revenues, Expenses, and Taxes		
Operating Revenues		
50XX Local -Billed	1	\$ -
-EAS Billed	2	\$ -
-State OUSF Distribution	3	\$ -
508X Access-SLC (End User)	4	\$ -
- Federal EU USF Collections	5	\$ -
-Switched (TS+NTS)	6	\$ -
-Federal USF Distribution	7	\$ -
-Special	8	\$ -
51XX Toll -Message	9	\$ -
-Private Line	10	\$ -
-Settlement	11	\$ -
52XX Misc. -Billing & Collection	12	\$ -
-Directory Advertising	13	\$ -
-Operating Rents	14	\$ -
-Other Misc.	15	\$ -
530X Less: Uncollectible Rev. (-)	16	\$ -
Total Revenues	17	\$ -
Operating Taxes:		
7230 State/Local Inc. Tax (Current)	26	\$ -
7220 Federal Income Tax (Current)	27	\$ -
7250 Net Deferred Income Taxes	28	\$ -
7210 Net Investment Tax Credits	29	\$ -
Total Taxes	30	\$ -
Net Operating Income	31	\$ -
RATE BASE		
Average Rate Base		
2001 Telecom. Plant in Service	1	\$ -
2005 Plant Acquisition Adjustment	2	\$ -
3100 Less: Accumulated Depr (-)	3	\$ -
34xx-36xx Less: Accumulated Amort. (-)	4	\$ -
4100-4340 Less: Accum. Deferred Tax(-)	5	\$ -
1220 Materials and Supplies	6	\$ -
---- Other Rate Base	7	\$ -
Total Average Rate Base	8	\$ -

Unshaded areas designate data fields to populate in Form I filings pursuant to OR Plan Exhibit A Section 19(b).

Form I pages 3 - 7:

FCC Account and Description	Line No.	Total Oregon Operations Subject To Separations	MTS & WATS Switched Access	Interstate Operation TOLL PLS Special Access	Total	Intrastate Operation				
						MTS & WATS Switched Access	TOLL PLS Special Access	EAS	Local (other) Total	
DETAIL										
6623	Rev. Acctg.-Toll Ticket Proc.	13	\$ -							
6623	Rev. Acctg.-Local Mess. Proc.	14	\$ -							
6623	Rev. Acctg.-Other Bill & Coll.	15	\$ -							
6623	Rev. Acctg.-SLC Billing	16	\$ -							
6623	Rev. Acctg.-CXR B & C	17	\$ -							
6623	B & C Amts Paid to LECs	18	\$ -							
6623	Other Customer Service	19	\$ -							
	Total Customer Operations	20	\$ -							
67XX Corporate Operations:										
671X	Executive & Planning	21	\$ -							
672X	General & Administrative	22	\$ -							
	Total Corporate Operations	23	\$ -							
---- Other Operating Expenses:										
----	Universal Service Fund	24	\$ -	\$ -						
----	Lifeline Connection Assistance	25	\$ -							
	Total Other	26	\$ -							
	Total Operating Expenses	27	\$ -							
OPERATING TAXES										
7240 General Taxes										
7240	Property	1	\$ -							
7240	Gross Receipts	2	\$ -							
7240	PUC Fee	3	\$ -							
7240	Franchise Fees	4	\$ -							
7240	Other	5	\$ -							
	Total General Taxes	6	\$ -							

Unshaded areas designate data fields to populate in Form I filings pursuant to OR Plan Exhibit A Section 19(b).
 Form I Separations Parameters:

Description	Note No.	Line No.	Total Oregon Operations Subject To Separations	Intrastate		Operation	
				Interstate Toll	Toll	EAS	Local (Other)
Separation Parameters							
Plant							
1996 Weighted DEM - Factor		6		0.000000			
1996 Unweighted DEM - Factor		7		0.000000			
Current CAT 3 DEM Factor Unweighted		9		0.000000	0.000000		0.000000
Exchange Trunk Joint Use MOU Factor		12				0.000000	0.000000
Host/Remote MOU Kilometers Factor		14				0.000000	0.000000
Operator Standard Work Seconds Factor		16				0.000000	0.000000
Tandem Switching MOU Factor		18				0.000000	
IX Conversation MOU Factor		20				0.000000	0.000000
Gross Billed Revenues							
Marketing Allocation Basis Factor		24				0.000000	0.000000
Payment & Collection-End User Factor		26				0.000000	0.000000
Service Order Contacts							
Service Order Proc.-End User Factor		30					0.000000
Billing Inquiry Contacts							
Billing Inquiry-End User Factor		34					0.000000
EAS/Local Messages (Msg. Proc.)		39	0				
Other Parameters							
Access Lines (Average)		43	0	0	0		0
Unseparated Loop Cost @ 11.1 ROR		44	0				

October 23, 2017



Century**Link**TM

EXHIBIT B

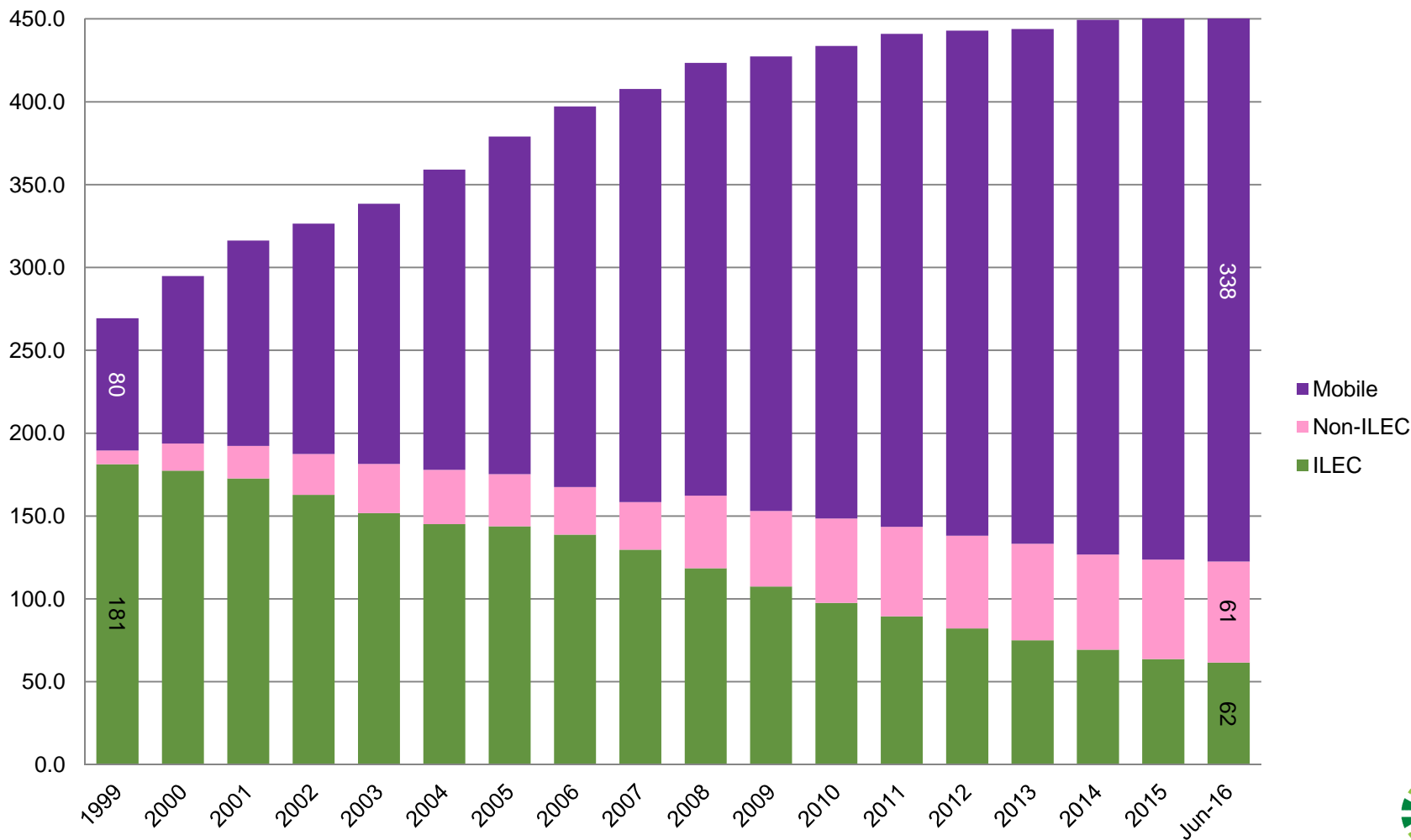
Oregon Telecommunications Competition and Regulation



Preference for Mobile and Non-ILECs Nationwide

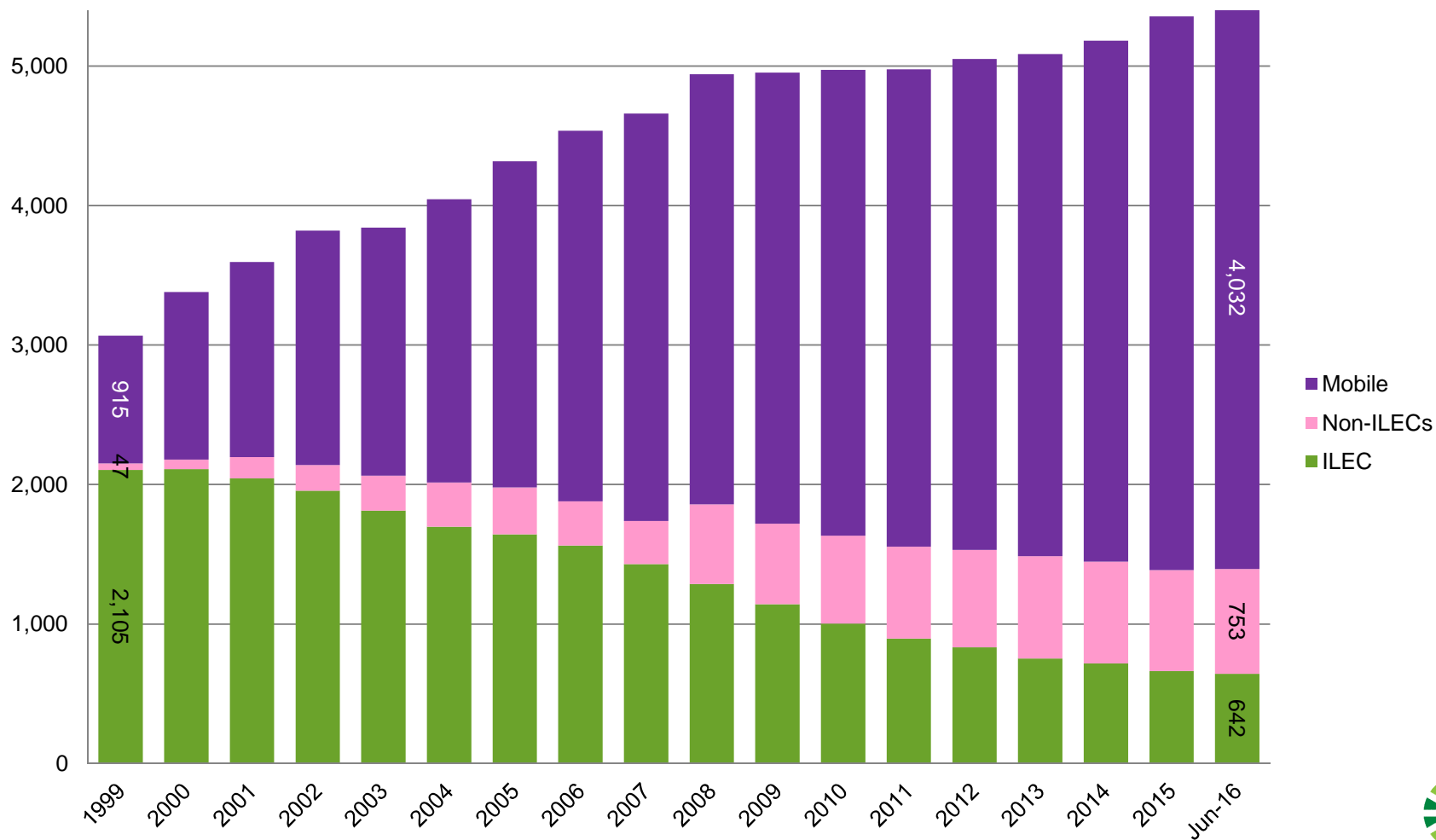
National Voice Subscriptions

in 000,000s Source: FCC Reports



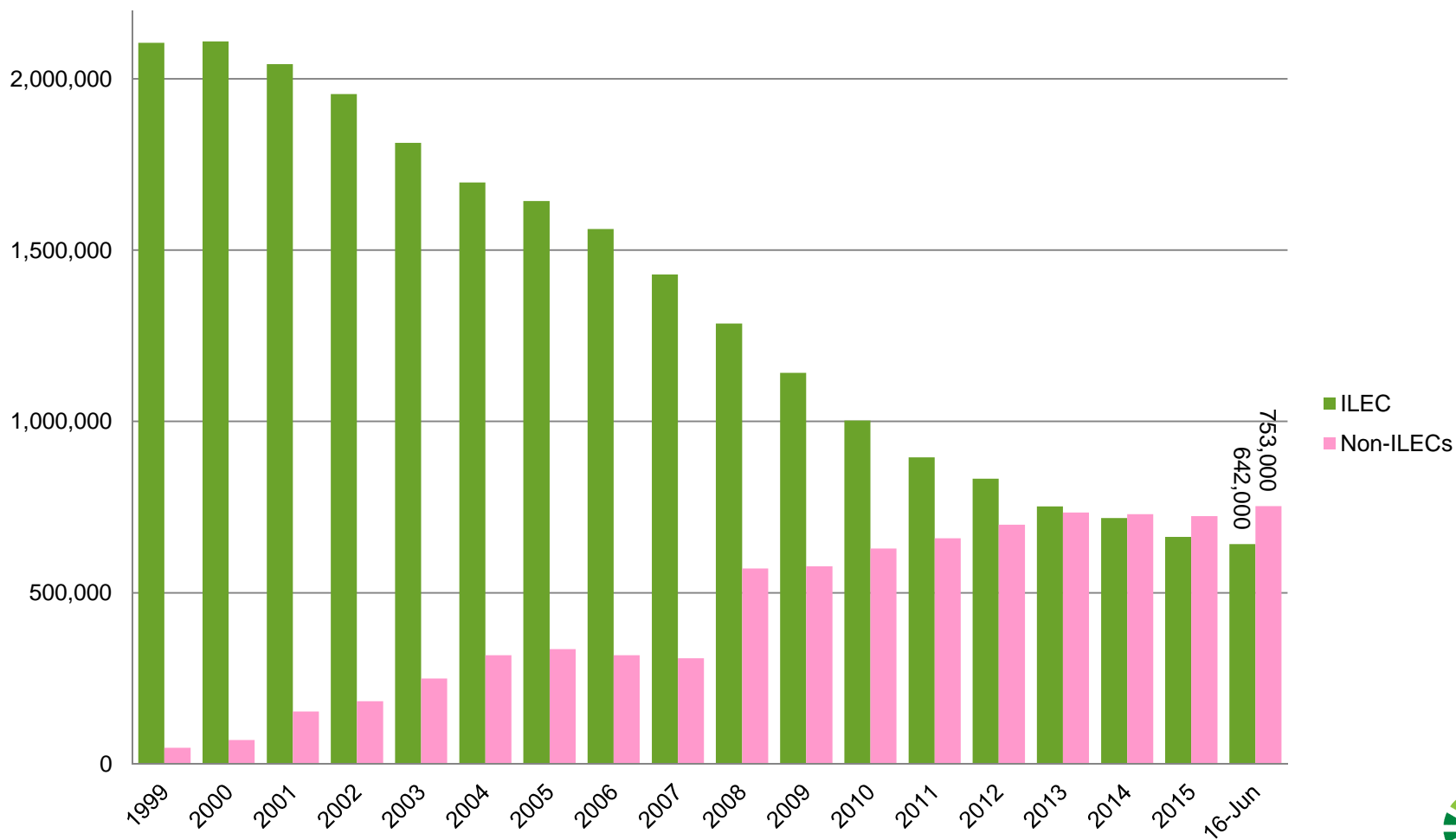
Mobile and Non-ILEC Preference Stronger in Ore

Oregon Voice Subscriptions
 in 000's Source: FCC Reports



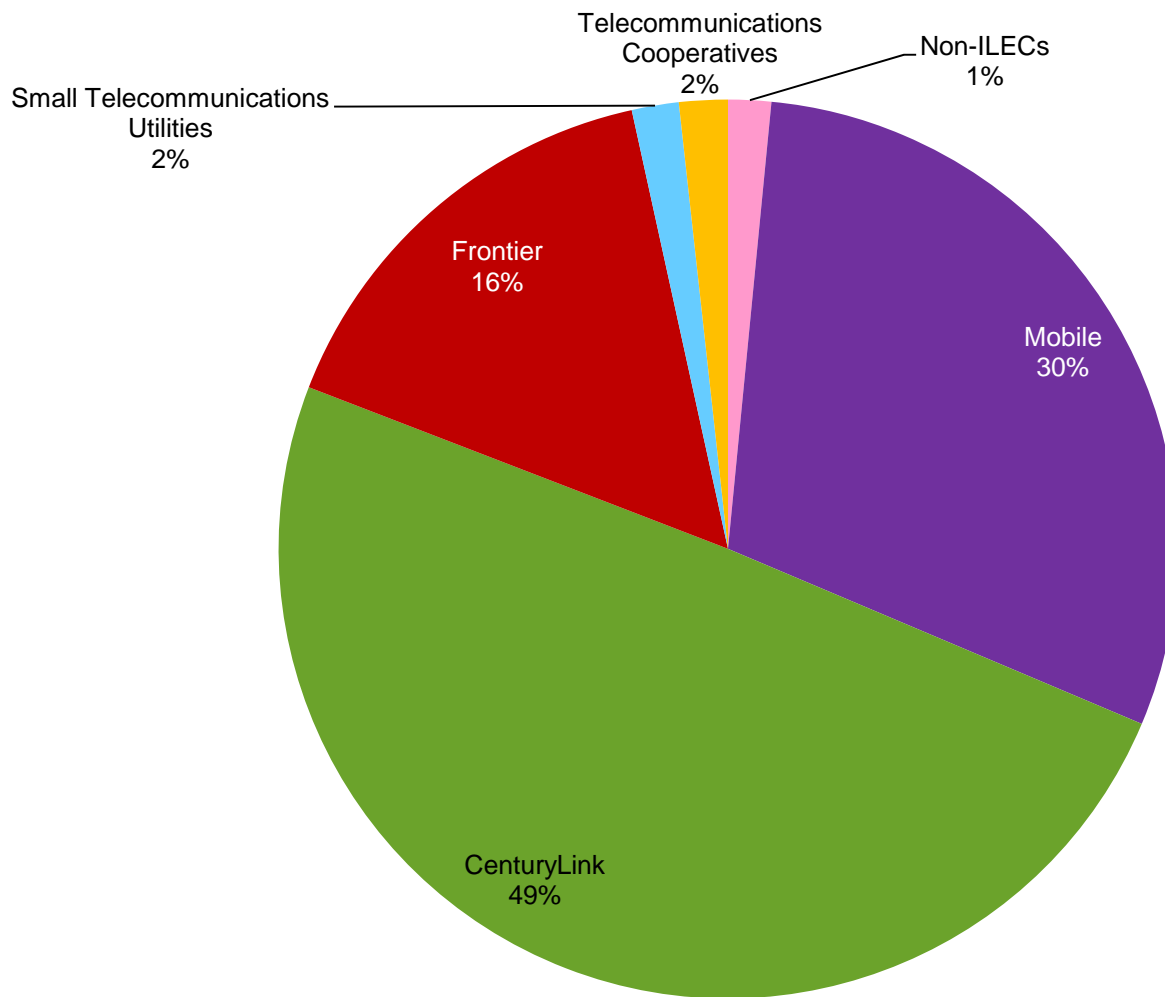
Oregon Consumers Chose Non-ILECs over ILECs

All Wireline
Oregon Access Lines per FCC Reports



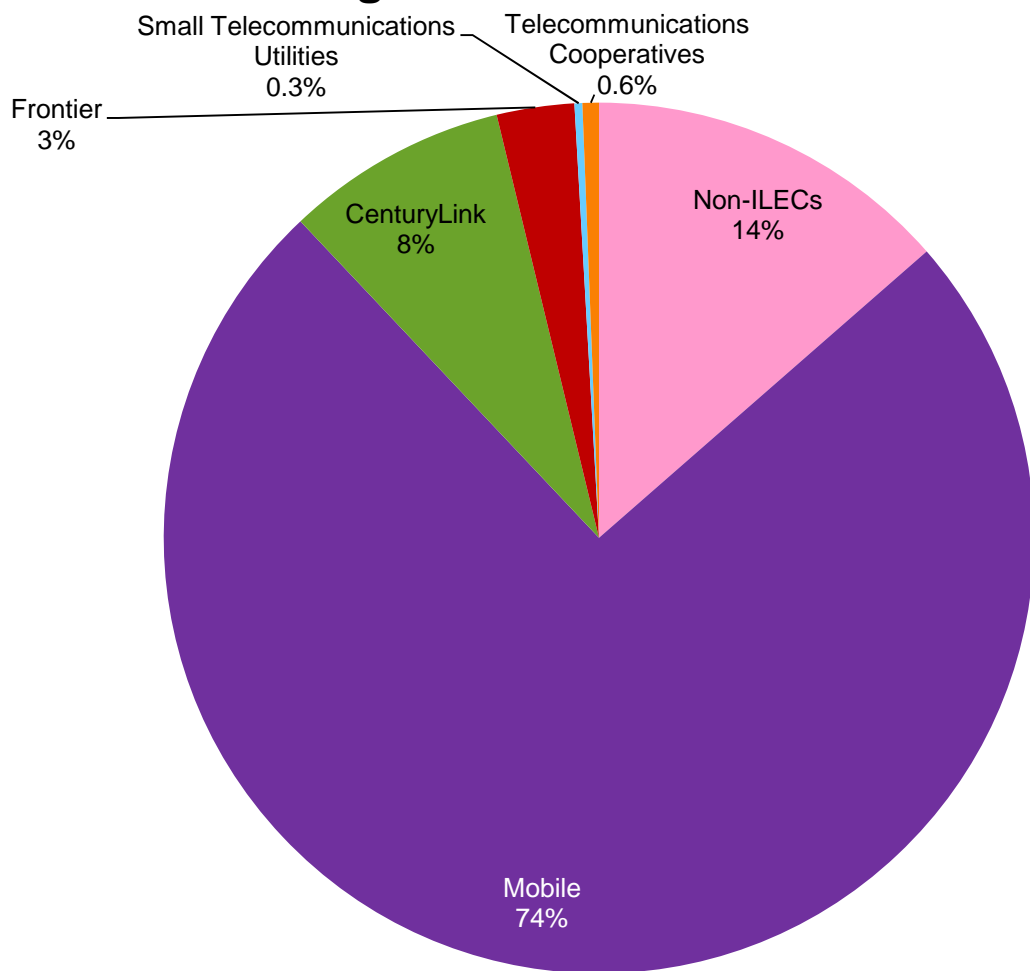
1999 Oregon Voice Shares (per FCC and PUC)

Share of Oregon Voice Connections Year End 1999



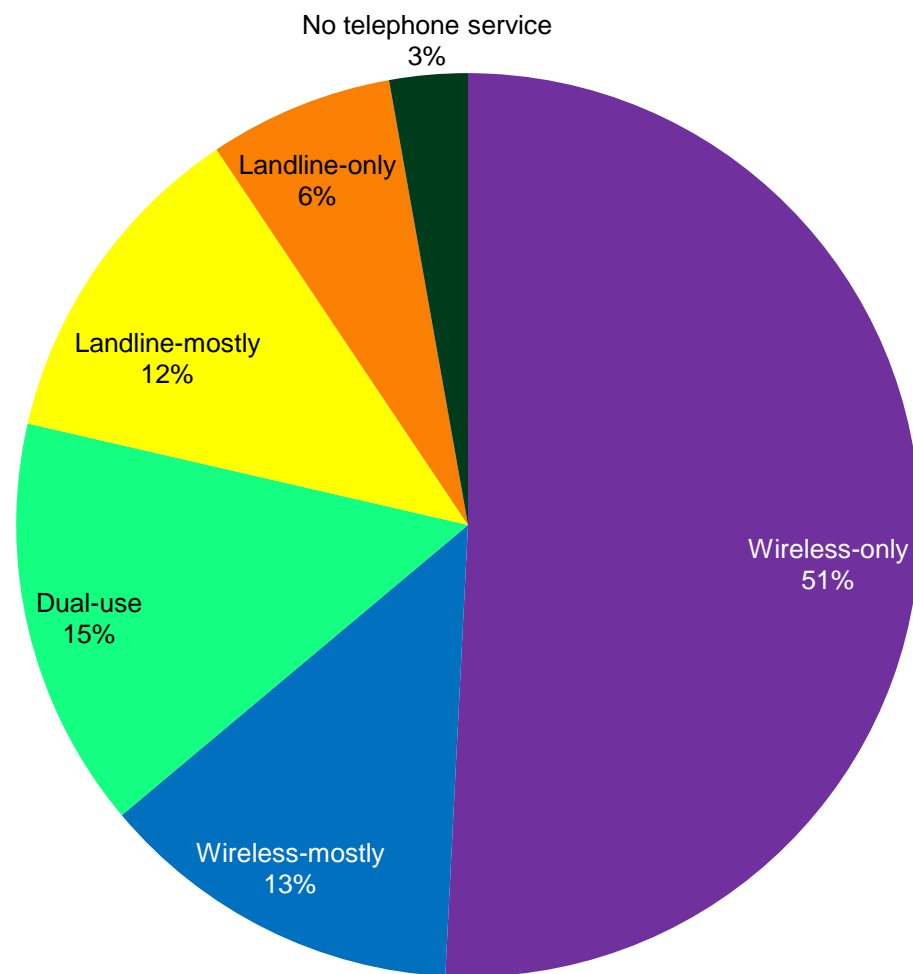
June 2016 Oregon Voice Shares (FCC and PUC data combined)

Share of Oregon Voice Connections June 2016



Oregonians are mostly wireless

Oregon Households, Adults, Year End 2015
per National Center for Disease Control and Prevention National Health Interview Survey

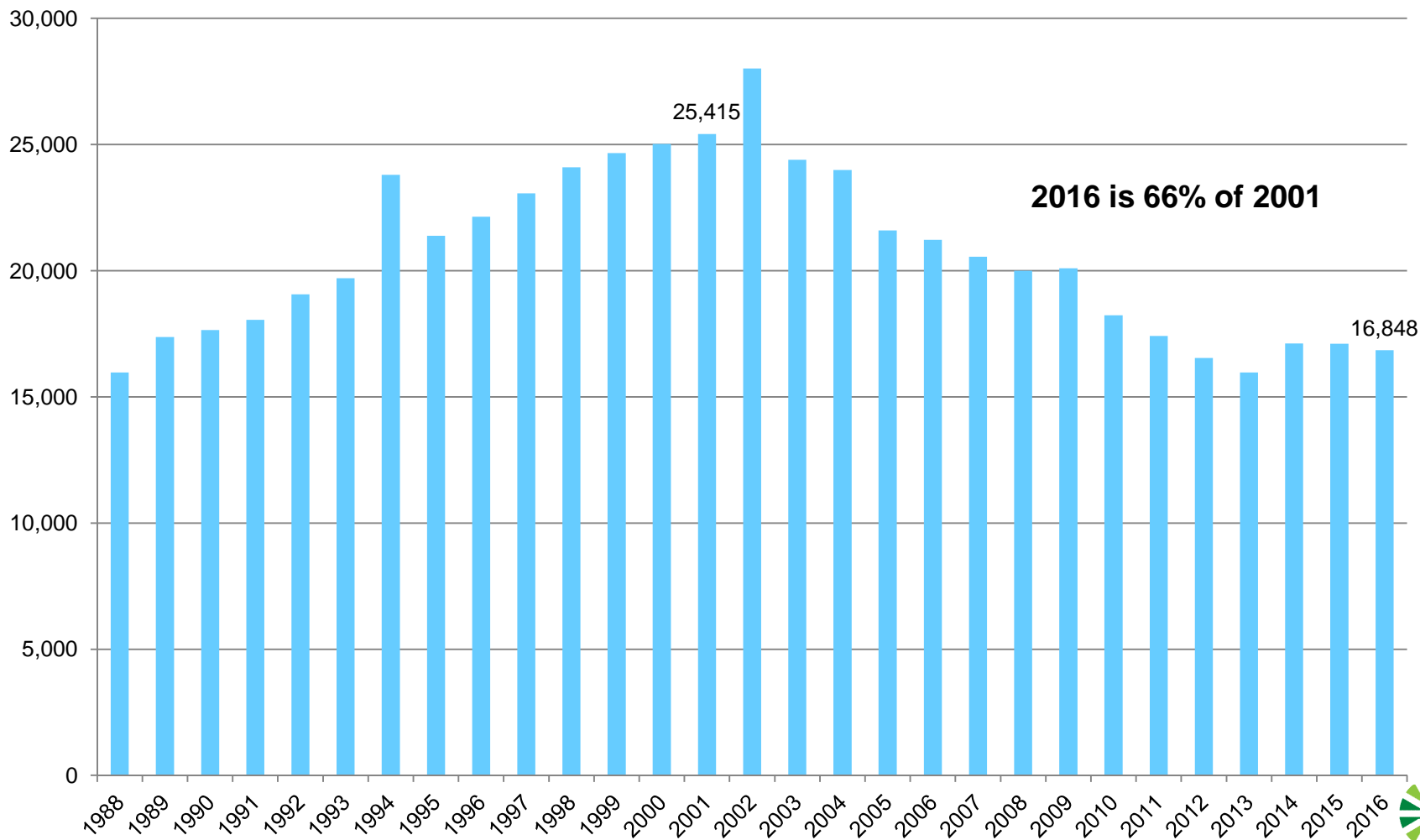


Oregon Incumbents

Data from Oregon PUC 2015 Utility Statistics Report	Number of Incumbent Local Exchange Carriers	Year End 2015 Access Lines	Percent of Total ILEC Access Lines
Small Telecommunications Utilities	15	17,104	2.5%
Telecommunications Cooperatives	11	35,053	5.0%
Frontier (GTE/Verizon/Frontier and AllTel/Citizens)	2	166,998	24.0%
CenturyLink (Qwest, United, Centurytel)	3	478,088	68.6%
TOTAL	31	697,243	100.0%

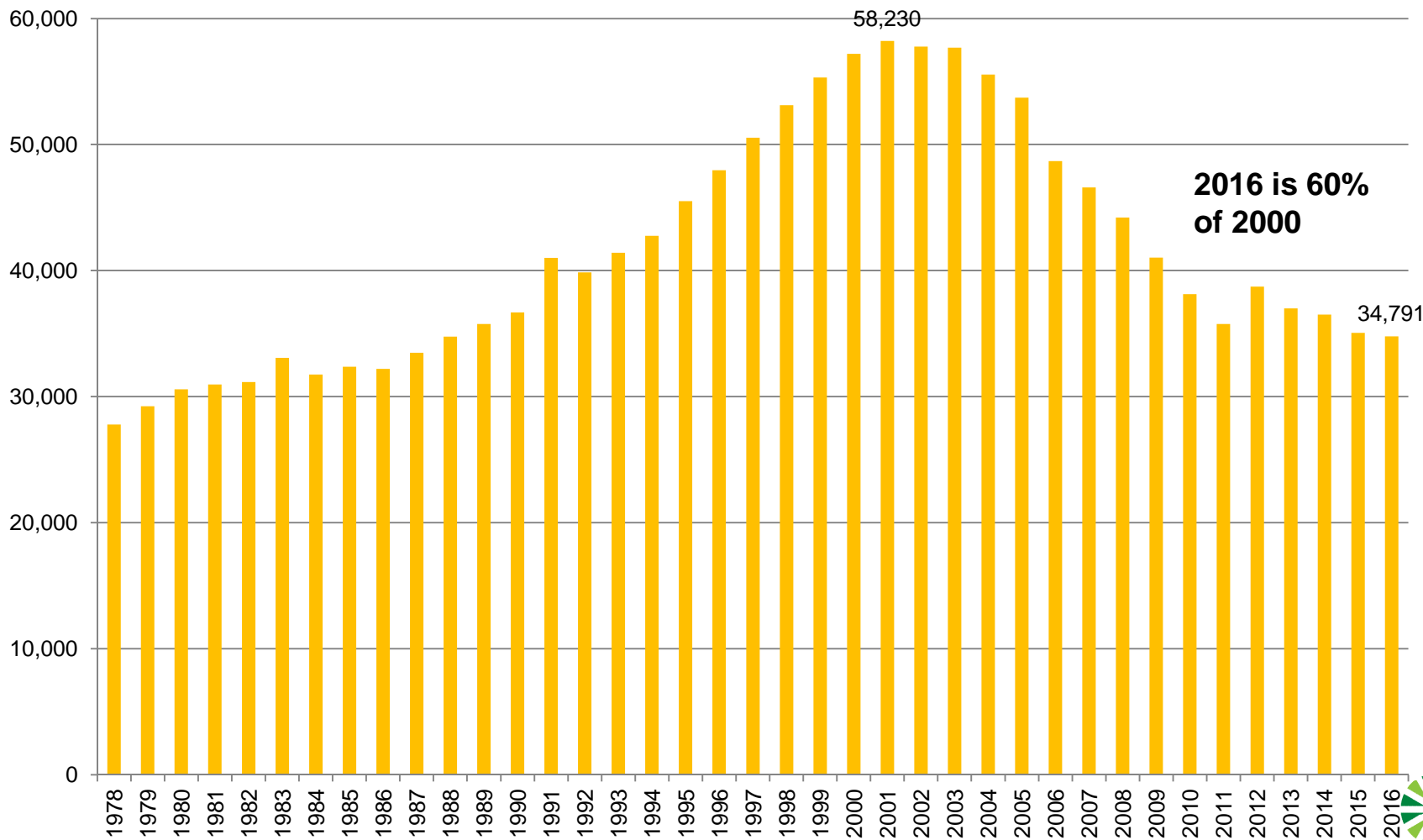
Small ILECS

Small Telecom Utilities Total Access Lines Data From OPUC Utility Statistics Reports



Co-ops

Cooperative Telephone Companies Total Access Lines Data From Oregon PUC Utility Statistics Reports

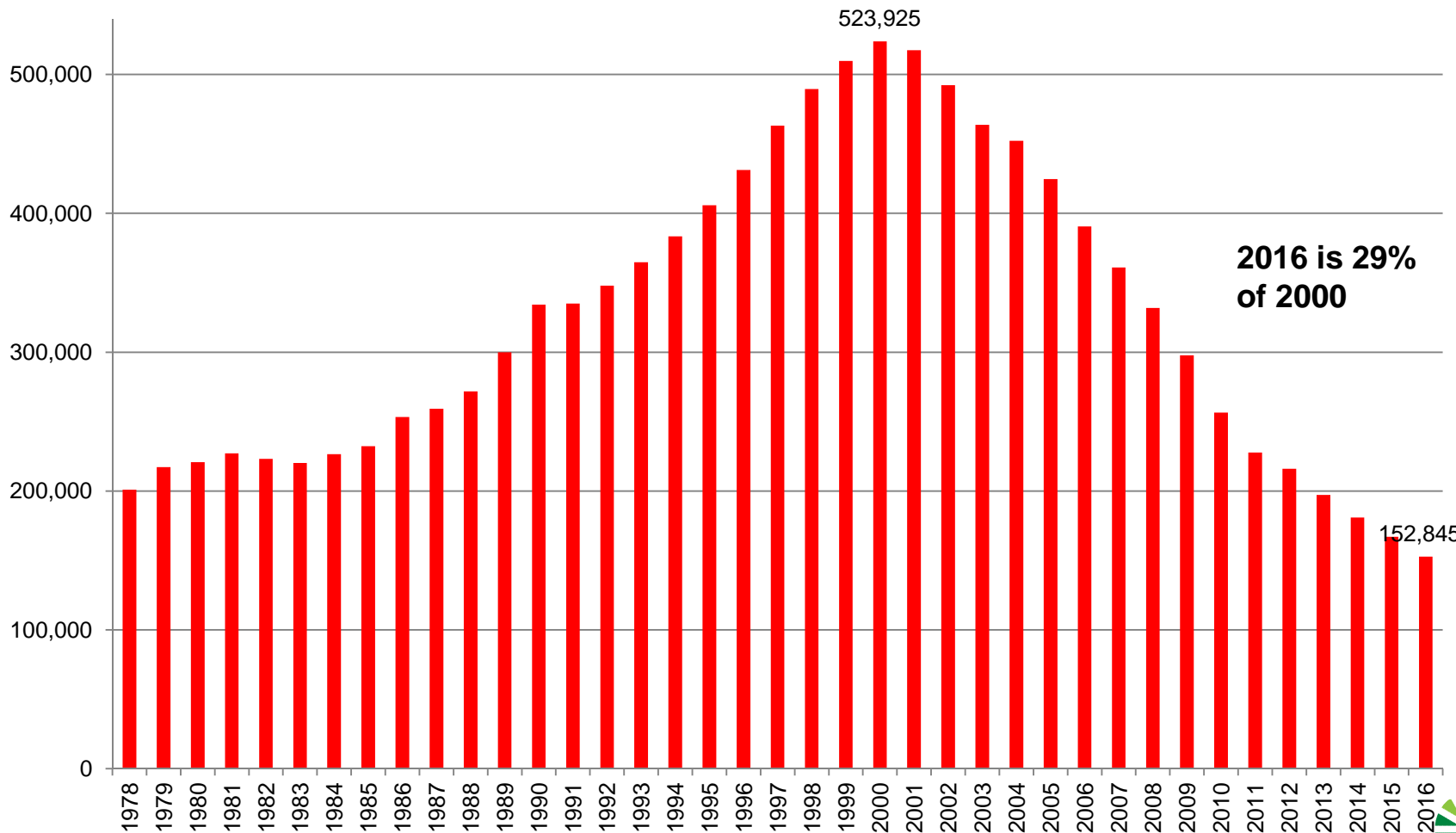


2016 is 60%
of 2000



Frontier

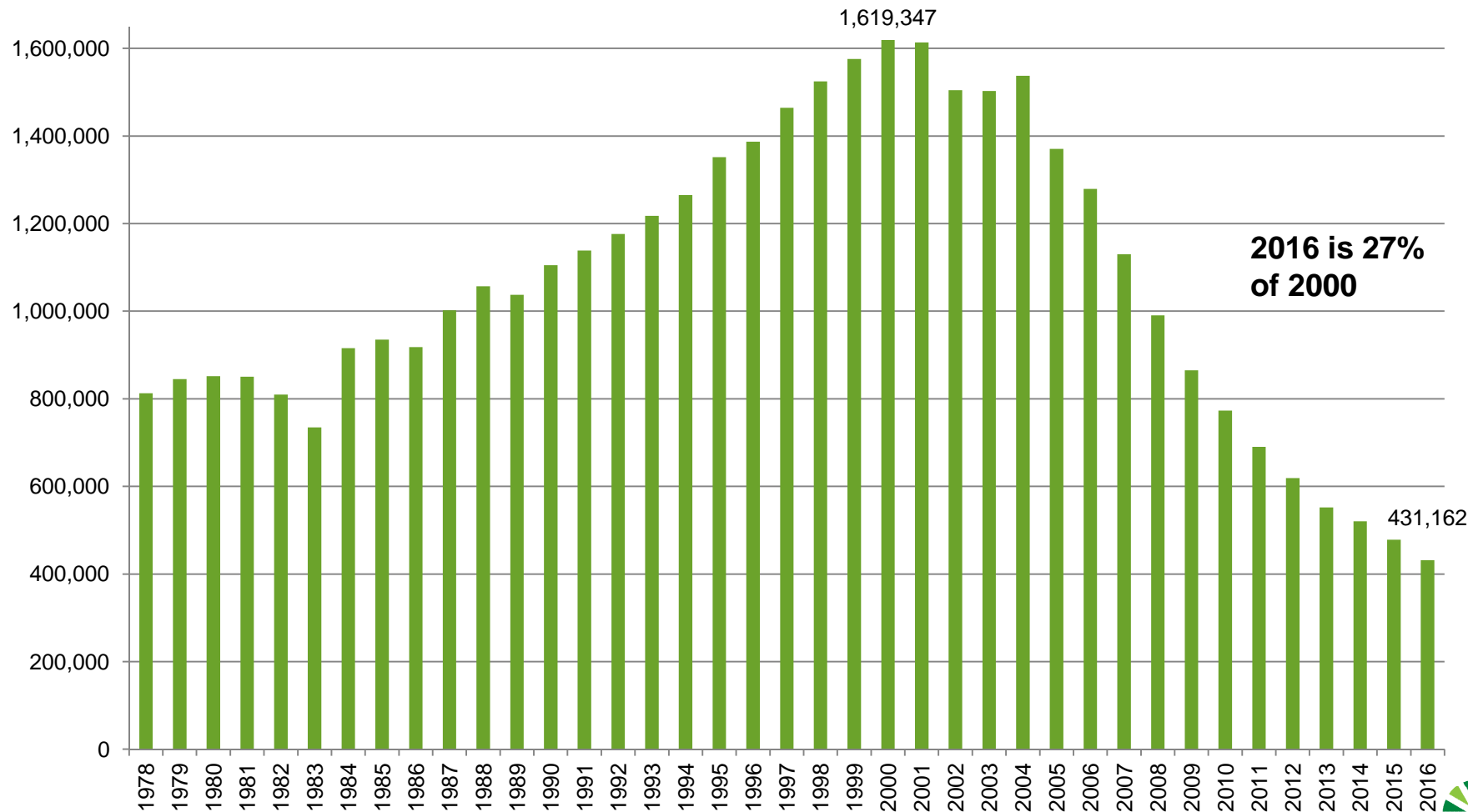
Frontier Total Access Lines Data From Oregon PUC Utility Statistics Reports



**2016 is 29%
of 2000**



CenturyLink Total Access Lines Data from Oregon PUC Utility Statistics Reports



**2016 is 27%
of 2000**



Why the losses?

Choice

Oregonians can chose among a wide variety of

Technologies

and

Providers

Technologies

Plain Old Telephone Service (POTS)



Voice Over Internet Protocol (VoIP)

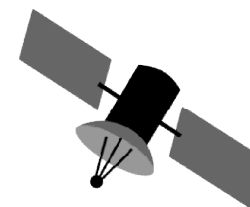


**Interconnected
Nomadic**

Mobile



Satellite



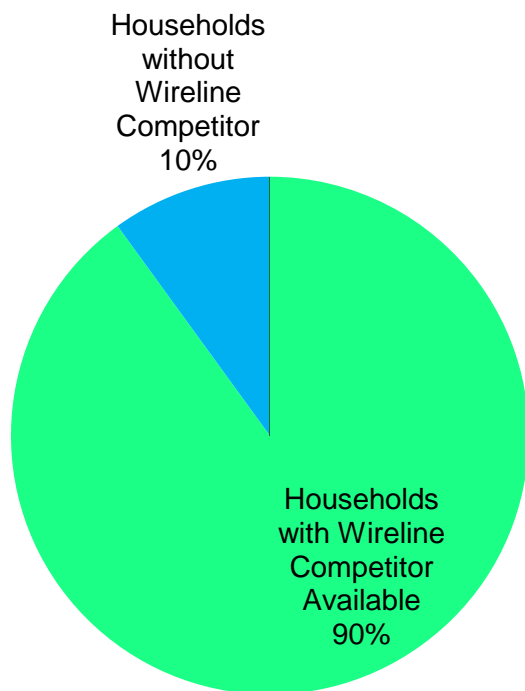
Providers



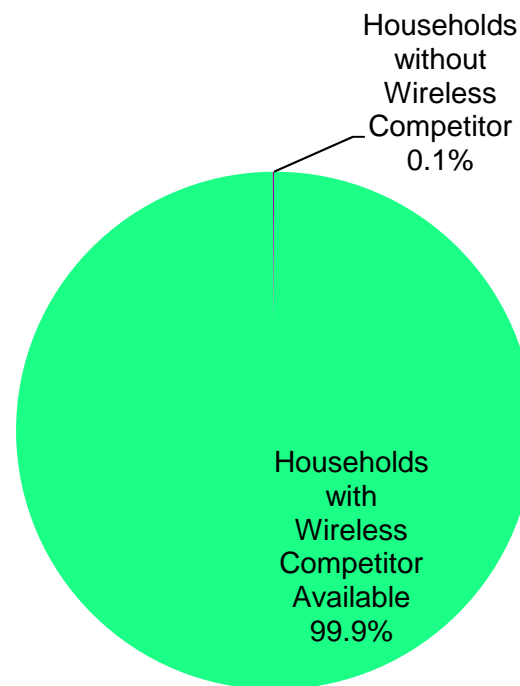
CenturyLink™

Competitor Availability

Wireline

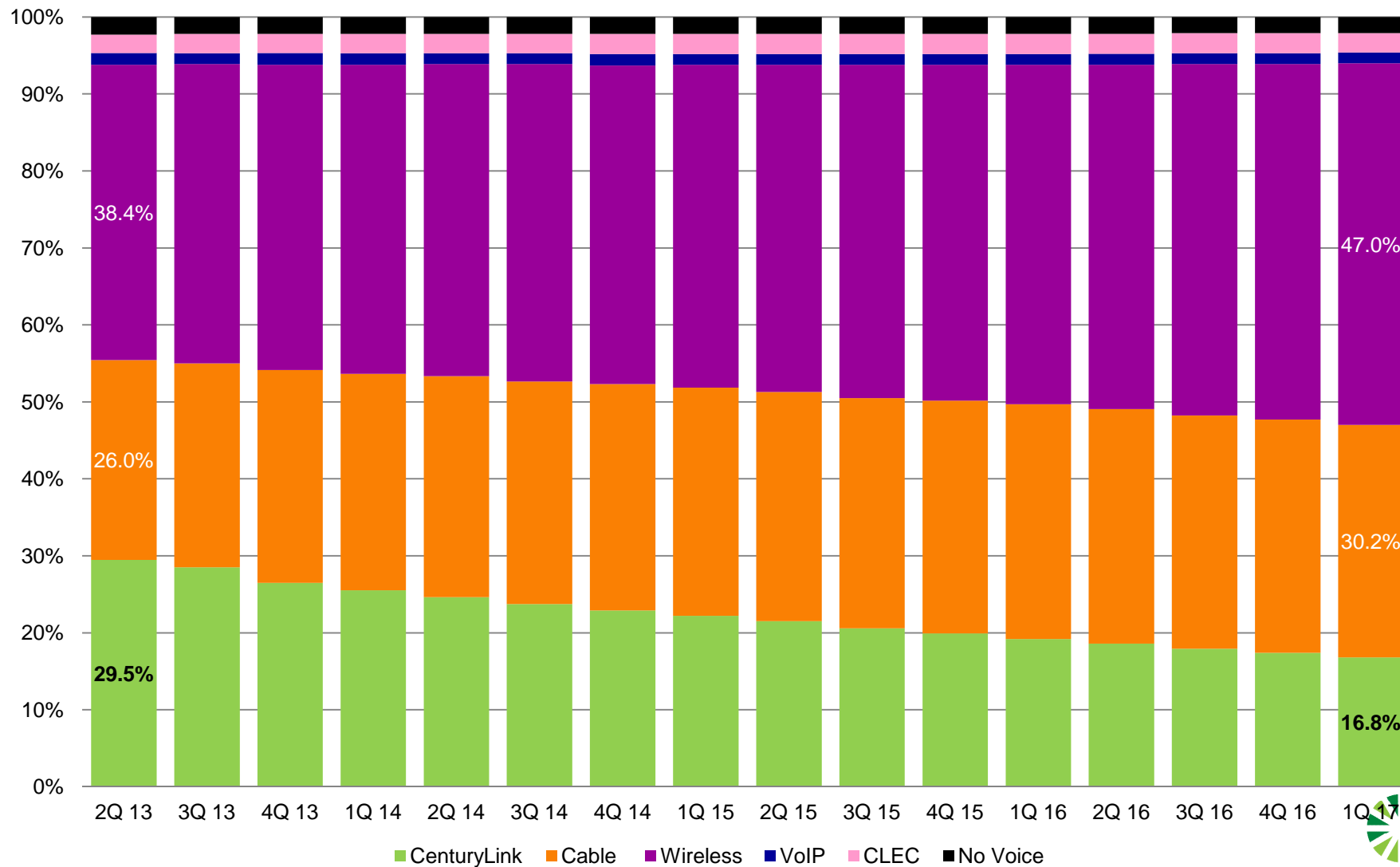


Wireless



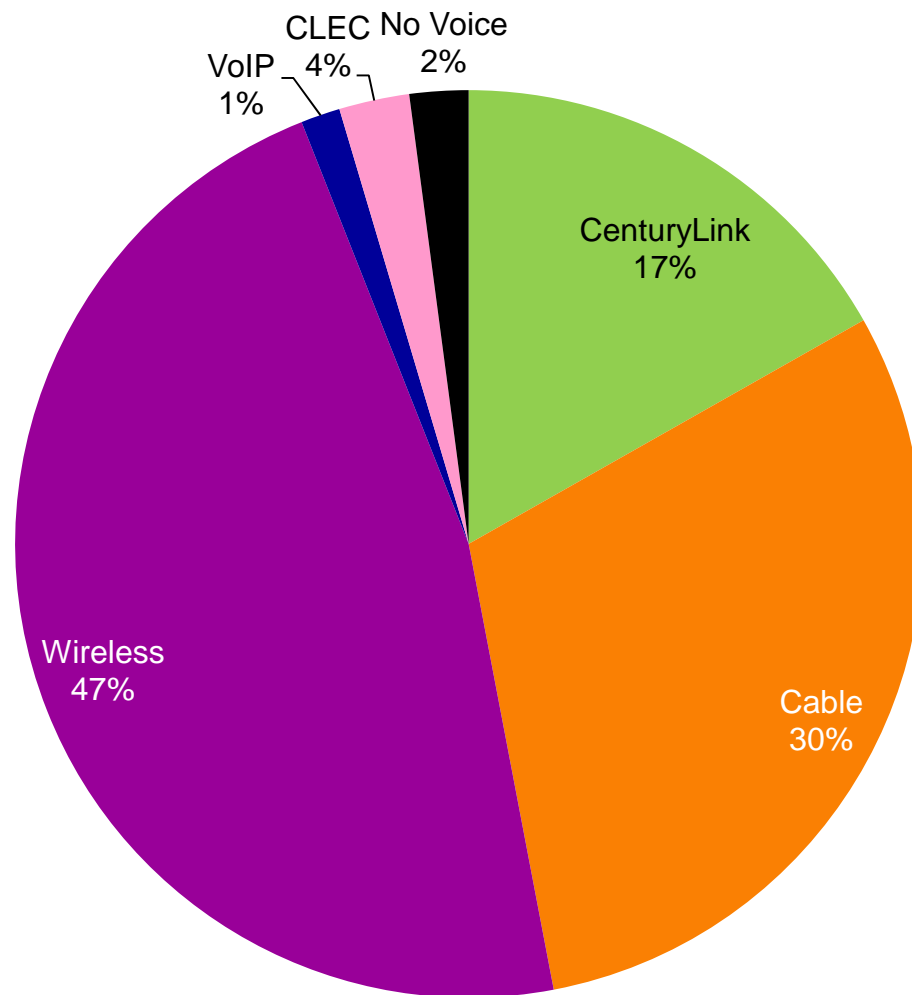
Consumer Market Share in CenturyLink territory

Consumer Voice Service Market Share in CenturyLink's Oregon Serving Area



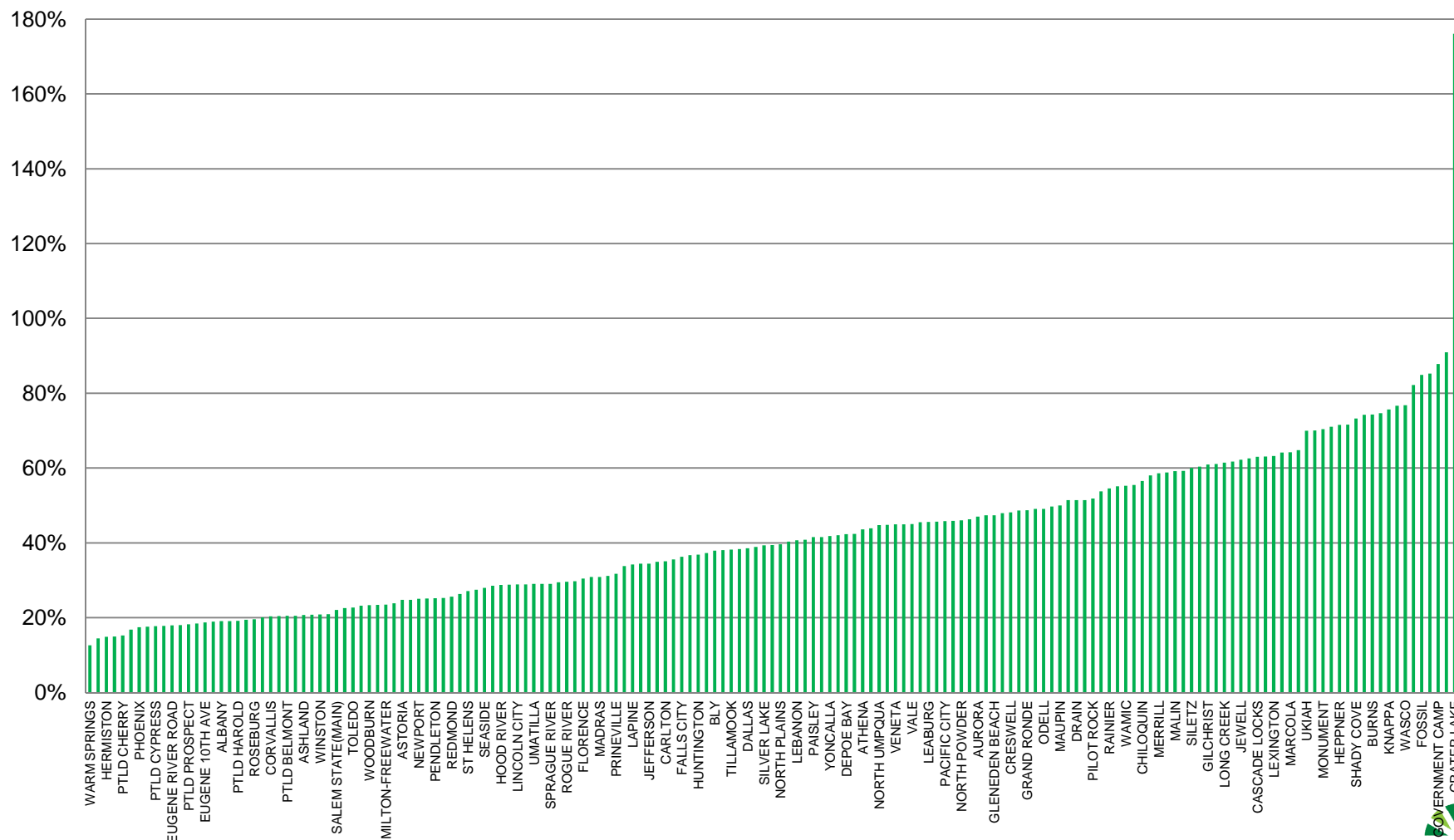
Consumer Market Share in CenturyLink Territory

Consumer Voice Market Share in CenturyLink's Oregon Serving Area 1Q 2017



Access Lines Lost in Every Wire Center Except Crater Lake

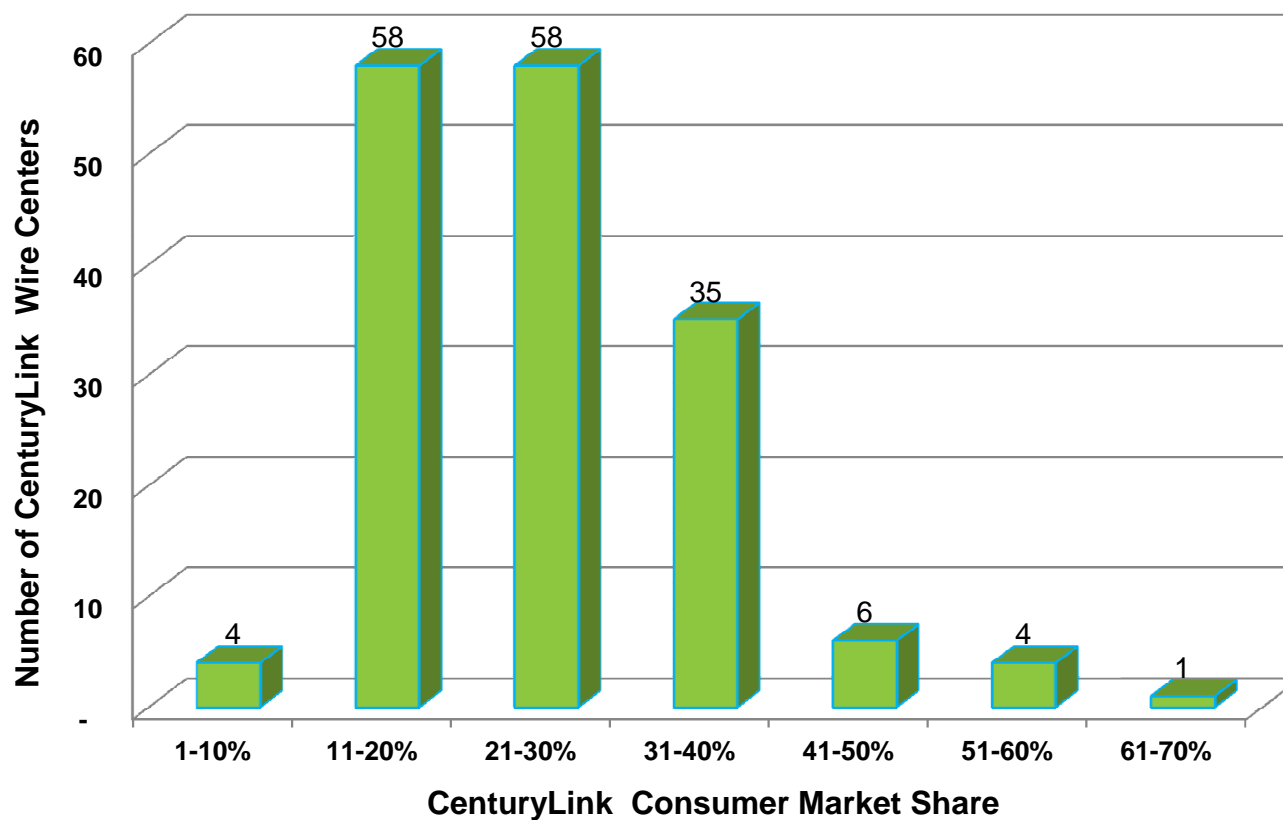
CenturyLink Percent of Year-End 2001 Total Access Lines Remaining at Year-End 2016
 by Wire Center



Consumer Market Share - CenturyLink

CenturyLink faces competition for consumers everywhere in Oregon including rural wire centers

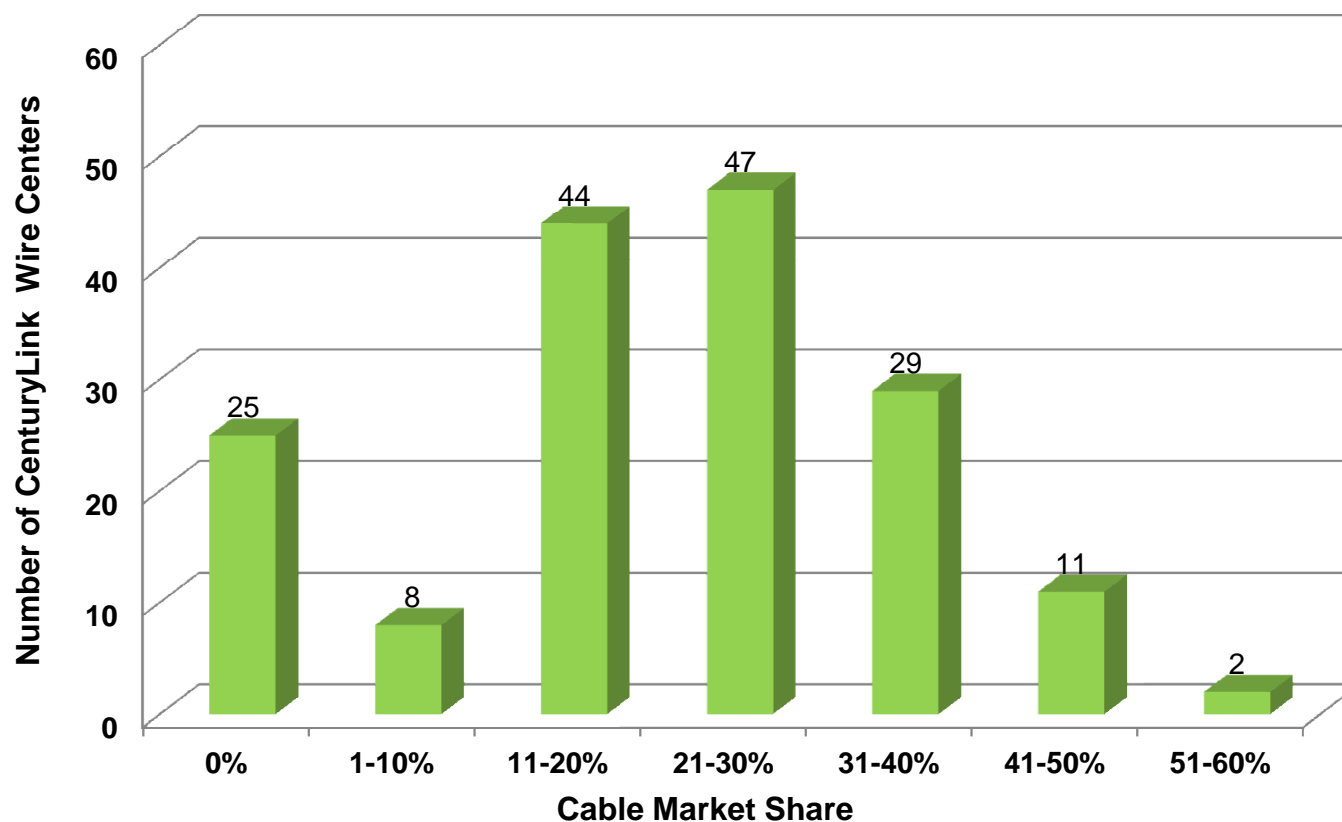
CenturyLink Oregon
Consumer Market Share by Wire Center



Consumer Market Share - Cable

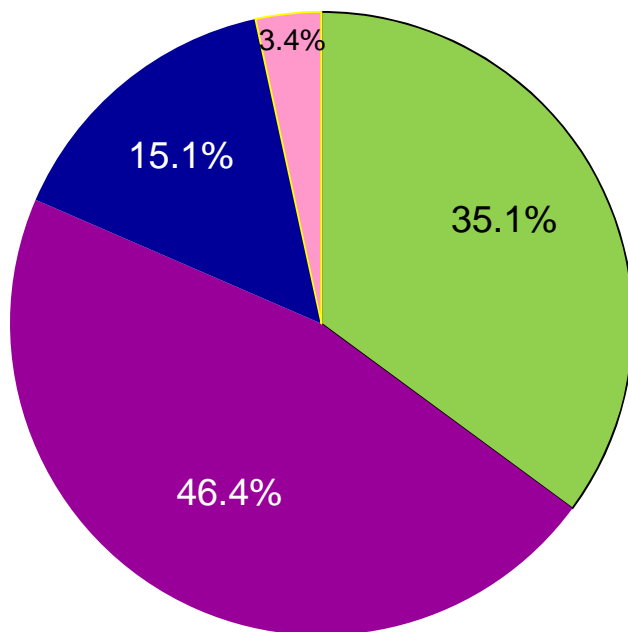
Cable competition: widespread throughout CenturyLink's Oregon service territory

**CenturyLink Oregon
Cable Market Share by Wire Center**



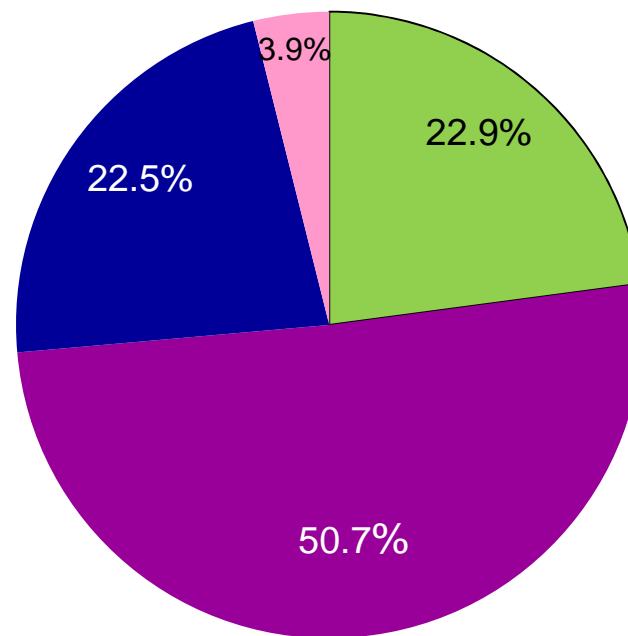
Business Market Share in CenturyLink Territory

Small Business Market Share



■ CenturyLink ■ Cable
■ CLECs ■ VoIP

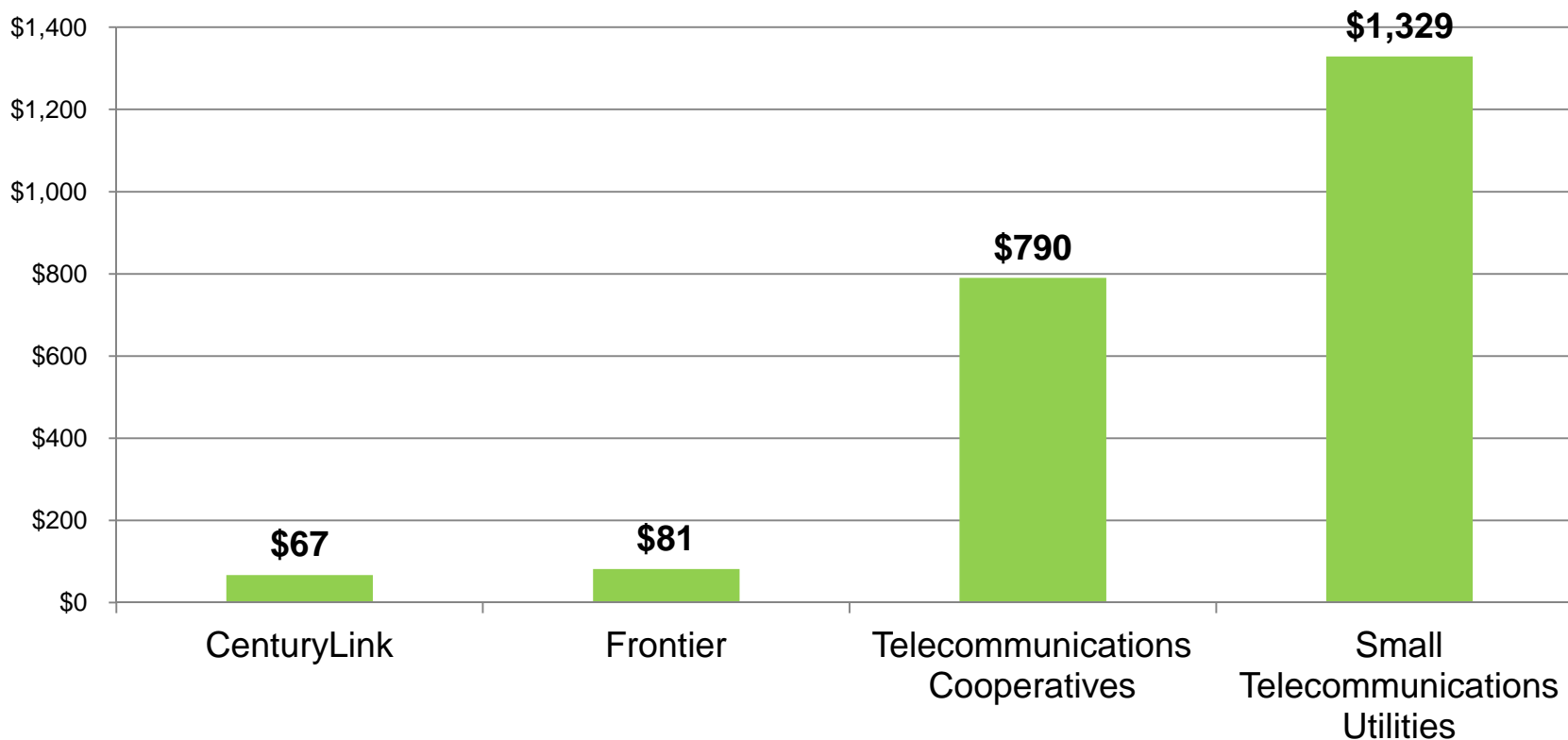
Commercial Business Market Share



■ CenturyLink ■ Cable
■ CLECs ■ VoIP

Oregon ILECs receive federal and state support

**Total 2016 Federal and Oregon USF Support
per Year End 2015 Access Line (000's)**

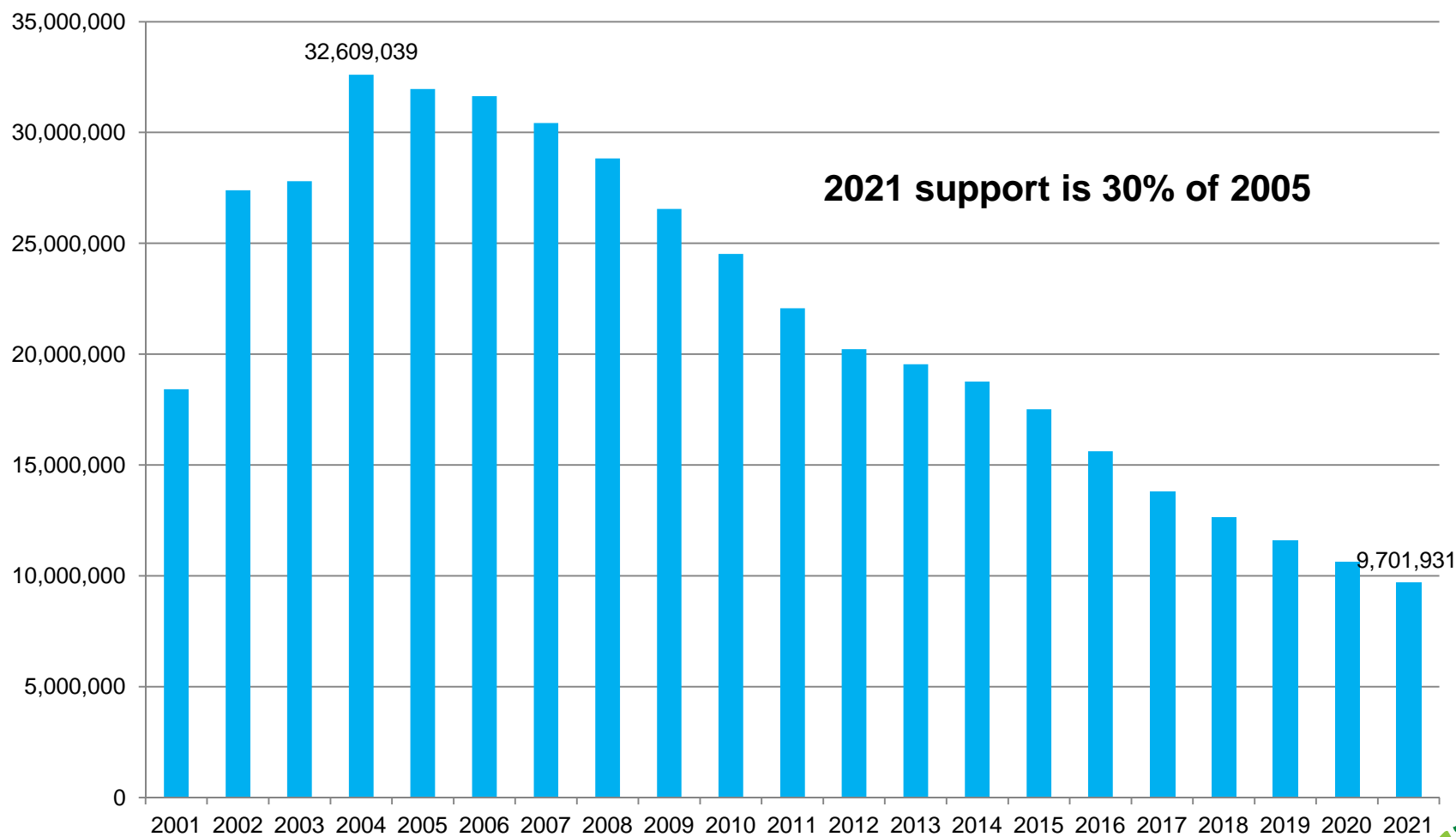


OUSF does not compensate for revenue decline

Oregon			
CenturyLink ILECs			
Total Annual Revenue for Oregon Regulated Services			
(\$ 000's)			Yr 2015 as a % of Yr 2001
	Yr 2001	Yr 2015	
	<u>OR Intrastate</u>	<u>OR Intrastate</u>	<u>OR Intrastate</u>
Local Service	455,579	150,906	33.1%
Access Service	91,733	25,399	27.7%
Long Distance	28,550	351	1.2%
Miscellaneous (does not include Uncoll)	31,328	22,196	70.9%
Oregon Universal Service Fund	<u>18,644</u>	<u>17,213</u>	<u>92.3%</u>
Total Oregon PUC Regulated Revenue	625,834	216,065	34.5%

Most Oregon USF has been withdrawn

Annual Oregon USF Distributions to all CenturyLink ILECs



Current Price Plan

4 Year term expiring October 2018

Caps prices of:

- Residential Flat Rate and Measured Local Exchange Service.
- Residential Other Services
- Extended Area Service
- Toll Restriction/Call Trace/Unlisted Numbers
- Directory listings
- E911 Services

Leaves regulated:

- Intrastate Switched Access
- Intrastate Special Access
- Line extension charges and Provisioning Agreements for Housing Developments
- Service Quality
- Carrier of Last Resort Obligations

Deregulation Vehicles

- 757.412 Exemption from securities regulation**
- 759.040 Exemption of small telephone utilities**
- 759.050 Competitive zone service regulation**
- 759.052 Exemption of telecommunications services**
- 759.054 Price listing of competitive services (2005)**
- 759.056 Price listing of interexchange services (2005)**
- 759.195 Price listing of services (2005 law)**
- 759.255 Price regulation without regard to ROI**
- 759.405 Elective Price Cap Regulation (2000 law)**
- 860-023-0054(15)(a) Service Quality Exemption**

759.255 Price Regulation without regard to ROI

Serves as authority for the current price plan

Requires the Commission to find that the plan is in the public interest. “In making its determination the commission shall consider, among other matters, whether the plan:

- a) Ensures prices 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.”

759.052 Exemption of telecommunications services

“Commission may exempt in whole or in part from regulation those telecommunications services for which the commission finds that:”

- (A) Price or service competition exists;

or

- (B) Telecommunications services can be demonstrated to be subject to competition;

or

- (C) The public interest no longer requires full regulation of the service.

Service Quality Exemption

OAR 860-023-0055, Retail Telecommunications Service Standards for Large Telecommunications Utilities

(15)(a) If the Commission determines that effective competition exists in one or more exchange(s), it may exempt all telecommunications utilities and competitive telecommunications providers providing telecommunications services in the exchange(s) from the requirements of this rule, in whole or in part.

OUSF Supported and Unsupported Wire Centers

CenturyLink Wire Centers	Number of Wire Centers	Average Portion of 2001 TOTAL Access Lines Remaining at Year End 2016
WIRE CENTERS RECEIVING OREGON USF SUPPORT	129	38.3%
WIRE CENTERS RECEIVING NO OREGON USF SUPPORT	37	20.4%

Deregulation based on OUSF Support

Regulation of	129 Wire Centers Receiving OUSF Support	37 Unsupported Wire Centers
Prices	Eliminate or Relax Standards Consistent with Competitive Environment	Exempt all retail services
Quality		Exempt all retail services
Line Extensions		Exempt this service
New Builds		Exempt this service
Reporting	Status Quo	Reduce
Service Discontinuance	For obsolete services waive OPUC permission	
Mergers	Waive review and approval	