CenturyLink®
CARLA M. BUTLER

February 13, 2015

Filing Center
Oregon Public Utility Commission
P.O. Box 1088
Salem, OR 97308-1088

Re: UX 28

Dear:

Enclosed for filing in the above entitled matter please find an original and (5) copies of Joint Parties Testimony to Adopt Stipulation, along with a certificate of service. Confidential Exhibits D, E and F are printed on yellow paper and sealed in a separate envelope. Original signatures will be sent as soon as they are received.

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

Sincerely,

Carla

Carla M. Butler
Paralegal

Enclosures
cc: Service List

310 SW Park Ave., 11th Flr.
Portland, OR 97205
Ph. 503.242.5420
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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UX 28

In the Matter of QWEST CORPORATION'S Petition to Exempt from Regulation Qwest's IntraLATA Toll Service, Operator Service Charges, and 800 Service Line Option.	**Joint Parties Testimony**

I. INTRODUCTION

Q. Please state your names and titles

A. My name is Renée Albersheim and my title is Lead Witnessing Representative for Qwest Corporation dba CenturyLink QC ("CenturyLink QC").

A. My name is Brant Wolf and my title is Executive Vice-President of the Oregon Telecommunications Association.

A. My name is Bob Jenks and my title is Executive Director of the Citizens' Utility Board.

A. My name is Stephen Hayes and my title is Sr. Telecommunications Engineer at the Oregon Public Utility Commission.

Q. Who are the parties in this docket?

A. The parties to the Stipulation are CenturyLink QC, Public Utility Commission of Oregon Staff (Staff), Citizens' Utility Board of Oregon (CUB), and the Oregon

Telephone Association (OTA), AT&T, and Frontier (herein "Joint Parties.") AT&T and Frontier only took position on a limited number of issues and are not sponsors of this testimony. However, to the extent AT&T and Frontier did not take a position on an issue, they do not object to its inclusion in the Stipulation.[1]

Q. What is the purpose of your joint testimony?

A. The purpose of the joint testimony is to describe and support the stipulation ("Stipulation"), attached as Exhibit A.CenturyLink QC filed a Petition To Modify Conditions For Default Provision of IntraLATA Toll to End Users Located Within Certain Local Exchange Carrier Service Territories in Docket UX 28. The term "Petition" as used in the Stipulation and in this joint testimony refers to CenturyLink QC's petition for approval of the limited removal of conditions in Commission Order No. 03-609 according to the terms described in a related previous stipulation attached hereto as Exhibit B.

Q. Do CenturyLink QC, Staff, OTA and CUB believe the Stipulation resolves all of the issues in this proceeding?

A. Yes. The Joint Parties support the Stipulation and its terms and agree that the Commission should expeditiously issue an order approving the Petition and the Stipulation.

[1] Stipulation, ¶ 2.

Q. Were all parties to the proceeding provided notice of and an opportunity to participate in workshops/settlement negotiations that resulted in the Stipulation?

A. Yes.

Q. How is your testimony organized?

A. The testimony is organized as follows:

I. Procedural History

II. Relief Requested by CenturyLink QC

III. Rationale for Supporting CenturyLink QC's Request

IV. Recommendation

I. PROCEDURAL HISTORY

Q. What is the procedural history in this docket?

A. On May 10, 2002, Qwest Corporation filed, pursuant to ORS 759.030, a petition to exempt intraLATA toll (and other services) from regulation. In Order 03-609, the Commission approved Qwest's petition, subject to seven conditions, which exempted Qwest's intraLATA toll from regulation. The Commission's previous order and stipulation containing the conditions are attached to this testimony as Exhibit B.

On August 20, 2014, CenturyLink QC filed a Petition To Modify Conditions For Default Provision of Intralata Toll to End Users Located Within Certain Local Exchange Carrier Service Territories. The Commission convened a prehearing conference on September 10, 2014, before Administrative Law Judge Traci Kirkpatrick.

Representatives appeared on behalf of Century Link QC, OTA, AT&T, Frontier and Staff. A deadline of September 24, 2014 was set for petitions to intervene. CUB subsequently filed a notice of intervention.

The Joint Parties engaged in settlement discussions at settlement workshops held on October 10, 2014 and October 21, 2014. Staff, CUB, OTA, AT&T, Frontier and CenturyLink QC participated in the workshops. Subsequent to the settlement/workshops, the Joint Parties continued discussions through the exchange of documents. This Stipulation is a product of those discussions.

II. RELIEF REQUESTED BY CENTURYLINK QC

Q. Please describe the relief requested by CenturyLink QC.

A. CenturyLink QC requests a waiver of Condition 3 and Condition 4 of the Stipulation to Order No. 03-609. Condition 3 requires CenturyLink QC to be the default intraLATA toll provider (DXC) in all Oregon exchanges where a primary toll carrier (PTC) is not designated. Condition 4 describes the intraLATA toll service that CenturyLink QC was required to provide. These conditions require CenturyLink QC to be the default intraLATA toll provider in all Oregon Telephone Exchanges except those served by United and Frontier, because those two companies serve as PTCs. A complete list of the Oregon Rural ILECs whose Exchanges are affected by the current Petition is found in the Attachment 1 to Exhibit A (Stipulation).

Q. How does the Stipulation address the relief requested by CenturyLink QC?

A. The Joint Parties interpret CenturyLink's request as a request under ORS 756.568 to modify a previous Commission order. If approved, the terms of the Stipulation would provide a limited removal of the conditions imposed in conjunction with the deregulation of Qwest's intraLATA toll service. The Stipulation confers the relief that CenturyLink QC requested by allowing CenturyLink QC to cease providing intraLATA toll services to customers served by the "Oregon rural ILECs", as described in Attachment 1 to the Stipulation. *See* Stipulation, ¶1. The Joint Parties agree in the Stipulation that it is appropriate to remove Conditions 3 and 4 of Order No. 03-609 in this docket. *Id*. The Joint Parties further agree in the Stipulation that all other conditions in Order No. 03-069 will remain in full force and effect. *Id*. The Joint Parties agree in the Stipulation that the removal of Condition 3 has limits. *See* Stipulation, ¶2. The removal will be limited to the pre-subscribed intraLATA toll customer-carrier relationship relating to customers located within specified Oregon ILEC exchanges. *Id*. It will not affect any facilities or affect any other dialing including 9-1-1 or other abbreviated dialing, EAS, or casual dialed calls. Furthermore, the removal will only involve changing the intraLATA PIC ("PIC") code 0000 associated with end user accounts and does not involve blocking. *See* Stipulation, ¶2.

Q. Has CenturyLink QC requested the ability to abandon service under OAR 860-032-0020(9) in the Petition?

A. No. CenturyLink QC is not asking to abandon any service under OAR 860-032-0020(9). The Joint Parties agree that the removal of conditions 3 and 4 is not an abandonment of service under Oregon Administrative Rules, but rather is a change to a prior Commission Order. Supporting this understanding, Condition 3 of Commission Order No. 03-609 contemplates that a change to originating toll points can be made with Commission approval.

Qwest will remain the Designated Carrier (DXC), as described in Order No. 93-1133, Docket UM 384, and will maintain its current toll origination points, unless authorized by Commission order to abandon a toll origination point or to cease being the DXC for that toll origination point.[2] Thus, the effect of the condition removal will be to remove CenturyLink QC as a PIC alternative in the areas where CenturyLink QC seeks to remove the toll origination point(s).

III. RATIONALE FOR SUPPORTING CENTURYLINK QC's REQUEST

Q. How does CenturyLink QC's Petition fit historically with the Commission's regulation of intraLATA toll?

A. CenturyLink QC's request is a natural progression from prior Commission Orders. Commission Order No. 03-609 deregulated Qwest's intraLATA toll. But in order to provide consumer protections the Commission ordered some safeguards that

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[2] Oregon Public Utility Commission Order No. 03-609, Appendix A, pp. 4, Condition 3. Entered October 16, 2003.

were embodied as conditions in the stipulation it approved in that order. One of those protections was that Qwest notify its customers that the Commission deregulated intraLATA toll. Another condition in Order No. 03-609 required Qwest to remain the designated carrier (carrier of last resort), as described in Order No. 93-1133, and to maintain its current toll origination points unless the Commission authorizes otherwise. This approach suggests that the Commission anticipated that at some point in the future there would be more providers of intraLATA toll and this requirement could be removed. This is exactly what CenturyLink QC is requesting now. Consistent with this, CenturyLink QC now believes it is time to relax some of the conditions placed on them when the Commission exempted their intraLATA toll from regulation.

Q. What rationale was cited by CenturyLink QC in support of their request?

A. CenturyLink QC cites "declining revenue and lack of profitability" [Petition at p.2] as rationale for its desire to be relieved of the obligation to serve as the default provider of intraLATA toll service to customers in exchanges served by the Oregon rural ILECs. CenturyLink QC asserts customers will not be harmed if this obligation is removed because "the intraLATA toll market is highly competitive and there are alternative providers from which customers can choose." [Petition p.3].

Q. Please describe why the Commission's adoption of the Stipulation will result in no harm.

A. The Joint Parties believe that the Stipulation will result in no harm to customers because 1) there are adequate alternatives to CenturyLink QC service available to provide the relevant intraLATA toll service, 2) the customer noticing requirements in the Stipulation provide adequate information and lead time for customers to make informed choices, and 3) the Stipulation will address a financial loss currently faced by CenturyLink QC.

Q. Please describe the evidence the Joint Parties used in concluding that adequate alternatives for intraLATA toll service are available to customers.

A. The Joint Parties came to this conclusion based upon information from three sources. First, OTA provided the confidential information in Exhibit D showing the number of alternative providers likely available in the Exchanges of rural ILEC members.

Second, CenturyLink also provided in Exhibit E[3] confidential information regarding the alternative providers likely available in the exchanges of CenturyTel of Oregon and CenturyTel of Eastern Oregon.

Third, Frontier provided similar information relating to alternative intraLATA toll providers in the Citizens exchanges in Exhibit F.[4]

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[3] Id., 3.

[4] Id..

Based on their review of this information. the Joint Parties conclude there are adequate alternative providers available for this service.

In addition, from CenturyLink QC's perspective, confidential information put together by CenturyLink QC depicted in Exhibit C shows that consumers have decreased their dependence on CenturyLink QC as the DXC in the exchanges of rural ILECs. Exhibit C also shows CenturyLink QC's view of the relationship of revenue it receives as DXC to the B&C access charges it pays.

Q. Please describe how the customer notice requirements in the Stipulation provided adequate information regarding alternate providers for customers to make informed choices.

A. As outlined in Attachment 3 to the Stipulation found in Exhibit A, customers will have two primary choices for gaining information related to their choices 1) CUB Connects and 2) calls to the rural ILEC. The Joint Parties believe that the combination of these choices will be adequate sources of information.

CUB Connects has been a useful source of information for customers since its inception in 2010. Since that time, CUB Connects has engaged, through various channels, more than 20,000 users regarding the telecommunication service providers available to Oregon customers.

Customers who choose not to use CUB Connects will be encouraged in the notice to call their rural ILEC for information concerning alternative providers. Rural ILECs will respond to customers' calls using either the CUB Connects site or by accessing a list of providers that they have agreed to maintain under requirements laid out in the Stipulation.

Q. Please comment on the lead time provided in the Stipulation for customers to make choices regarding their intraLATA toll service options.

A. The Stipulation requires a 60 day notification period. The Joint Parties believe this is adequate time for customers to absorb and make a decision regarding their intraLATA toll provider.

Q. Please comment on the basic customer notice information required by the Stipulation.

A. As shown in Attachment 3 of the Stipulation found in Exhibit A, the basic information necessary for customers to understand the nature of intraLATA toll will be provided to customers. As an example, the notice must contain a description, including a map, of what qualifies as "local long distance" or intraLATA toll for the customer's specific exchange.

Q. Please describe how adoption of the Stipulation would remove the billing anomaly currently faced by CenturyLink QC and the rural ILECs.

A. Under the current arrangement, the rural ILECs bill the customers for the intraLATA toll service provided by CenturyLink QC and remit the revenues to CenturyLink QC (i.e., because CenturyLink QC has not updated its billing software, the rural ILECs have the billing relationship with the customer, not CenturyLink QC). In addition, over time the cost of billing and collecting (B&C) services from the rural ILECS have increased on a per message basis. This results in some rural ILECs charging CenturyLink QC more for the billing services than CenturyLink QC receives in retail revenues for providing DXC services. As a result, CenturyLink is actually *losing* money when providing intraLATA toll services to its customers as DXC.

IV. RECOMMENDATION

Q. What do CenturyLink QC, Staff, OTA and CUB recommend regarding the Stipulation?

A. CenturyLink QC, Staff, OTA and CUB recommend that the Commission enter an Order approving and adopting the Stipulation.

WITNESS QUALIFICATION STATEMENT

Q. **PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

My name is Renée Albersheim. I am employed by Qwest Corporation dba CenturyLink QC ("CenturyLink QC"), working with all CenturyLink affiliates as a lead witnessing representative in the Wholesale Markets Group. My business address is 930 15th Street, 6th floor, Denver, Colorado 80202.

Q. **PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT EXPERIENCE.**

I have been working in the Wholesale Markets organization of CenturyLink and its predecessors since December 2003. Prior to December 2003, I worked in Qwest's information technologies wholesale systems organization since joining U S WEST in October 1999. As a lead witnessing representative, I provide support for CenturyLink's responses to regulatory issues associated with the 1996 Telecommunications Act, FCC orders, state commission decisions, and other legal and regulatory matters.

Prior to joining US WEST, I worked for 15 years as a consultant on many systems development projects and in a variety of roles, including the following: programmer and systems developer, systems architect, project manager, information center manager and software training consultant. I worked on projects in a number of different industries, including oil and gas; electric, water and telephone utilities; insurance; fast food; computer hardware; and the military. I also designed and developed a number of software applications, including electronic interfaces. During that time, I worked on several of Qwest's operations support systems ("OSS") as a consultant on human resources and Interactive Access Billing Systems ("IABS") projects. Among other responsibilities, I was the sole support person for the Square Root Trending

("SRT") system, which provided statistical support for access billing to AT&T. I also supported the Carrier Access Information Management System ("CAIMS"), which generates reports on carrier usage and billing that are used by Qwest personnel who are responsible for carrier billing and customer support.

In addition to working full-time at Qwest, I earned a Juris Doctor degree from the University Of Denver College Of Law and passed the Colorado Bar Examination in October 2001. Prior to attending law school, I received a Master of Business Administration in Management Information Systems from the University of Colorado College of Business and Administration in 1985 and a Bachelor of Arts degree from the University of Colorado in 1983.

WITNESS QUALIFICATION STATEMENT

<u>Name:</u>

Brant Wolf

<u>Education:</u>

MBA, George Fox University

BA, Political Science, Oregon State University

<u>Relevant Employment History:</u>

I have been employed as the Executive Vice President of the Oregon Telecommunications Association (OTA) since 2000. During that time I have appeared as a witness, provided comments or participated otherwise in numerous OPUC proceedings.

As the advocate for members of the OTA I have also provided testimony and comments in numerous other legislative and regulatory proceedings related to telecommunications issues.

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 400

Portland, OR 97205

EDUCATION: Bachelor of Science, Economics

Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UE 207, UE 208, UE 210, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, UM 1209, UM 1355, UM 1635, UE 233, and UE 246. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates

Board of Directors, OSPIRG Citizen Lobby

Telecommunications Policy Committee, Consumer Federation of America

Electricity Policy Committee, Consumer Federation of America

Board of Directors (Public Interest Representative), NEEA

WITNESS QUALIFICATION STATEMENT

NAME: Stephen Hayes

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: Senior Telecommunications Engineer,

Retail Telecom & Water Regulation

Telecommunications and Water Division

ADDRESS: 3930 Fairview Industrial Dr. SE Salem, Oregon 97302.

EDUCATION: B.S. in Business Administration with Concentration in Accounting, California State University, Chico.

EXPERIENCE:

I have been employed by the Commission since March, 2011. I am currently Senior Telecommunications Engineer. I have worked in three sections of the Telecommunications and Water Division with experience in two price plan dockets, numerous ETC dockets, Wholesale and Retail Service Quality, Numbering, Water and Telecommunications Territory Allocations, Rulemaking and GIS mapping support.

Prior to March, 2011 I worked for Sierra Telephone Co. Inc., Oakhurst, California for nine and one-half years. Sierra is a rate-of-return regulated company and the largest of California rural ILECs. I advanced through the Regulatory Analyst Series to Senior Analyst and also served as the Carrier and Access Billing Administrator. I worked on implementation of State and Federal regulations touching nearly every facet of operations. I also worked with the Regulatory team on revenue requirement related reporting, annual interstate cost studies, and state rate cases. One of my primary responsibilities was retail service quality reporting.

Prior to telecommunications work I was a Department Head in Mariposa County. Also in Mariposa County I was a Housing Specialist where I wrote successful Community Development Block Grants related to Housing Rehabilitation and developed the county's Housing Rehabilitation Grants and Loan Program. Prior to Mariposa County employment I was the Grants and Loans Operations Manager for the Office of Strategic and Economic Development in Merced County. All of these non-telecommunications experiences involved applied understanding of federal, state, and local regulations.

DOCKET NO. UX 28 Exhibit A
STIPULATION

The parties to the Stipulation are CenturyLink QC, Public Utility Commission of Oregon Staff (Staff), Citizens' Utility Board of Oregon (CUB), and the Oregon Telephone Association (OTA), AT&T, and Frontier (herein "Joint Parties.") AT&T and Frontier only took position on a limited number of issues and are not sponsors of this testimony. However, to the extent AT&T and Frontier did not take a position on an issue, they do not object to its inclusion in the Stipulation.

1. General. CenturyLink QC is seeking a waiver of Conditions 3 and 4 of Order No. 03-609 and only as they pertain to CenturyLink QC's provision of intraLATA toll services to customers served in the exchanges of the Oregon rural ILECs listed in Attachment 1. All other conditions in Order No. 03-609 will remain in full force and effect.

2. Limited Waiver. The Parties agree that the waiver of Conditions 3 and 4 of Order No. 03-609 is limited to the pre-subscribed intraLATA toll customer-carrier relationship relating to customers located within specified Oregon ILEC exchanges. It will not affect any facilities or affect any other dialing including 9-1-1 or other abbreviated dialing, EAS, or casual dialed calls. Implementation only involves changing the intraLATA presubscribed interexchange carrier (LPIC) code 0000 associated with end user accounts and does not involve blocking.

3. Notice to customers. The affected Oregon rural ILECs listed in Attachment 1 will provide at least sixty days advance notice to customers who currently use CenturyLink QC for intraLATA toll service. The Oregon rural ILECs will send customer notices out no later than thirty days following the Commission's entry of an order approving this Stipulation. The Oregon rural ILECs will endeavor to make LPIC changes at the time that customers notify the company of their election, during the sixty (60) day notification period. For customers that do not make an election of a new carrier during the sixty day notification period and will be moved to their interLATA long distance provider or "no-PIC" (as explained in Stipulation Term No. 4 below) , the Oregon rural LECs will have an additional ten days to make LPIC changes. For illustrative purposes, use of the sixty day notification period and additional ten day period would provide at least sixty days for the customer to act on the notice. Customers who act on the notice and contact the company during the sixty day notification period will experience a LPIC change in the normal course of business (i.e., likely that day). Customers who have not notified the company will experience their LPIC change on or before the noticed LPIC change deadline date. See Attachment 2 for a diagram showing the notification timeline.

   The Oregon rural ILECs will provide the notice as depicted in Attachment 3 to this Stipulation. As reflected in Attachment 3, the following will be included in the notice:

   (1) The name of the appropriate Oregon rural ILEC
   (2) A toll-free number to call in the event the customer has questions
   (3) Map of Oregon showing a few cities in each LATA

(4) A reference to CUB Connects and a list of alternative providers, if the rural ILEC chooses to include a list of alternative providers in its customer notice.

The Commission will post the generic customer notice to its website with references to current customer service contacts in affected exchanges. The rural ILECs will each have an LPIC list available to respond to customer questions regarding alternative providers which result from calls to the toll-free number listed in the notice. The list should represent a good faith effort to correctly list currently available intralata long distance providers serving the rural ILECs territory and provide the most rescent contact information available to the ILEC. Because the market for IXC service is competitive and entry and exit are relatively easy, we recognize that lists may not be completely accurate at any given point in time. An interexchange carrier that changes its contact information for customer contacts is expected to notify the ILECs of that change so that the new information can be incorporated into each ILEC's list of available interexchange carriers. Rural ILECs have the option of including that list in their notice. The rural ILEC is not required to include on that list over-the-top or VoIP providers that are not certificated by the Oregon Commission or providers that do not have a CIC code. ILECs will not promote the services of any specific IXC over the services of any other IXC if asked by its customers for assistance choosing a new IXC.

4. <u>LPIC change</u>. The Parties agree that end users who do not respond to the customer notice, and who do not contact the Oregon rural ILEC to request a LPIC change, will be assigned to their interLATA long distance provider for intraLATA toll service. If a customer does not have an interLATA long distance provider, the customer will be assigned "no PIC."

5. <u>LPIC charge waived.</u> The Parties agree that the customers that respond with a LPIC change will not be charged for this change. In addition, any non-responding customer that is assigned to their interLATA provider or to "no PIC", will not incur an initial LPIC change charge and may within seventy-five days, change its intraLATA toll provider one time without incurring LPIC change or other non-recurring charges. The seventy-five day calculation is explained in Attachment 2.

6. <u>LPIC change, call handling and noticing reimbursement</u>: The Parties agree that CenturyLink QC will provide $7.50 to each Oregon rural ILEC for each CenturyLink QC IntraLATA customer as identified in Attachment 4.

7. <u>PIC freeze.</u> If a customer has a PIC freeze, it will be removed in order to make a LPIC change, and then the Oregon rural ILEC will re-instate the PIC freeze after making the LPIC change.

8. Commission has authority to grant the waiver. The Parties agree that the waiver of conditions 3 and 4 is not an abandonment of service covered in Oregon Administrative Rules, but rather is a change to a prior Commission Order under Oregon Revised Statutes. Supporting this understanding, Condition 3 of Commission Order No. 03-609 contemplates that a change to originating toll points can be made with Commission approval, which has the effect of granting CenturyLink QC's waiver request. Thus, the effect of the waiver will be to remove CenturyLink QC as an LPIC alternative in the areas where CenturyLink QC seeks to remove the toll origination point.

9. There are sufficient alternative providers. The Parties agree that there are sufficient alternative providers in the Oregon rural ILEC territories from which customers may choose.

10. Toll billing. Toll billing is in arrears and depending on billing cut offs and other factors, toll billing on end user bills might occur for two billing cycles after LPIC changes are made. ILECs will inform affected customers that CenturyLink toll may continue to show up on their bills for up to two billing cycles. The billing and collecting arrangements between entities will remain in place to facilitate the reimbursement for toll up to seventy days plus two full billing cycles (assuming billing cycles are every month) after a Commission Order is entered.

11. Other items. The Parties agree that the Commission should:

   a. Authorize the removal of CenturyLink QC's toll origination points specified in Condition No. 3 of the Stipulation incorporated in Order No. 03-609.[1]

   b. Authorize a waiver of Condition No. 4 as it relates to the toll origination points removed by the authorization under paragraph 11 a.

   c. Authorize the Oregon rural ILECs specified in Attachment 1 to: 1) remove CenturyLink QC from customer facing information about providers of intraLATA toll in their exchanges and, 2) remove CenturyLink QC as an intraLATA PIC choice in their switches.

   d. Affirm that all Conditions of Order No. 03-609, not waived remain in full force and effect.

GENERAL PROVISIONS

12. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. Without the written consent of all of the Parties, evidence of conduct or

[1] (See Appendix A, pg. 4 of 6, Order No. 03-609).

statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

13. The Parties have negotiated this Stipulation as an integrated document. The Parties, after consultation, may seek to obtain Commission approval of this Stipulation prior to evidentiary hearings. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Party reserves its right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the other Parties; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or, pursuant to ORS 756.610, to appeal the Commission's final order if such final order does not approve the Stipulation in full.

14. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, and provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

15. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement. Faxed or emailed copies of signature pages will be treated as original signature pages.

16. The Parties understand that this Stipulation is not binding upon the Commission unless and until it is approved by the Commission.

17. This Stipulation does not preclude a Party from explaining, as a factual matter, what the Parties agreed to in this Stipulation.

18. The Parties agree that this Stipulation represents the entire agreement of the Parties on this subject and that it supersedes any and all prior oral or written understanding, agreements or representation related to this Stipulation, if any, and no such prior

understanding, agreement or representations shall be relied upon by any Party.

19. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and cooperate in supporting this Stipulation throughout the Commission's consideration of the Stipulation.

This Stipulation is entered into by each Party as follows:

Qwest Corporation d/b/a CenturyLink QC

By: Ron Trullinger
Ron Trullinger

Oregon Telecommunications Association

By: ______________________
Richard A. Finnigan

Citizens' Utility Board of Oregon

By: ______________________
Sommer Templet

Public Utility Commission of Oregon Staff

By: ______________________
Jason Jones

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Public Utility Commission of Oregon Staff

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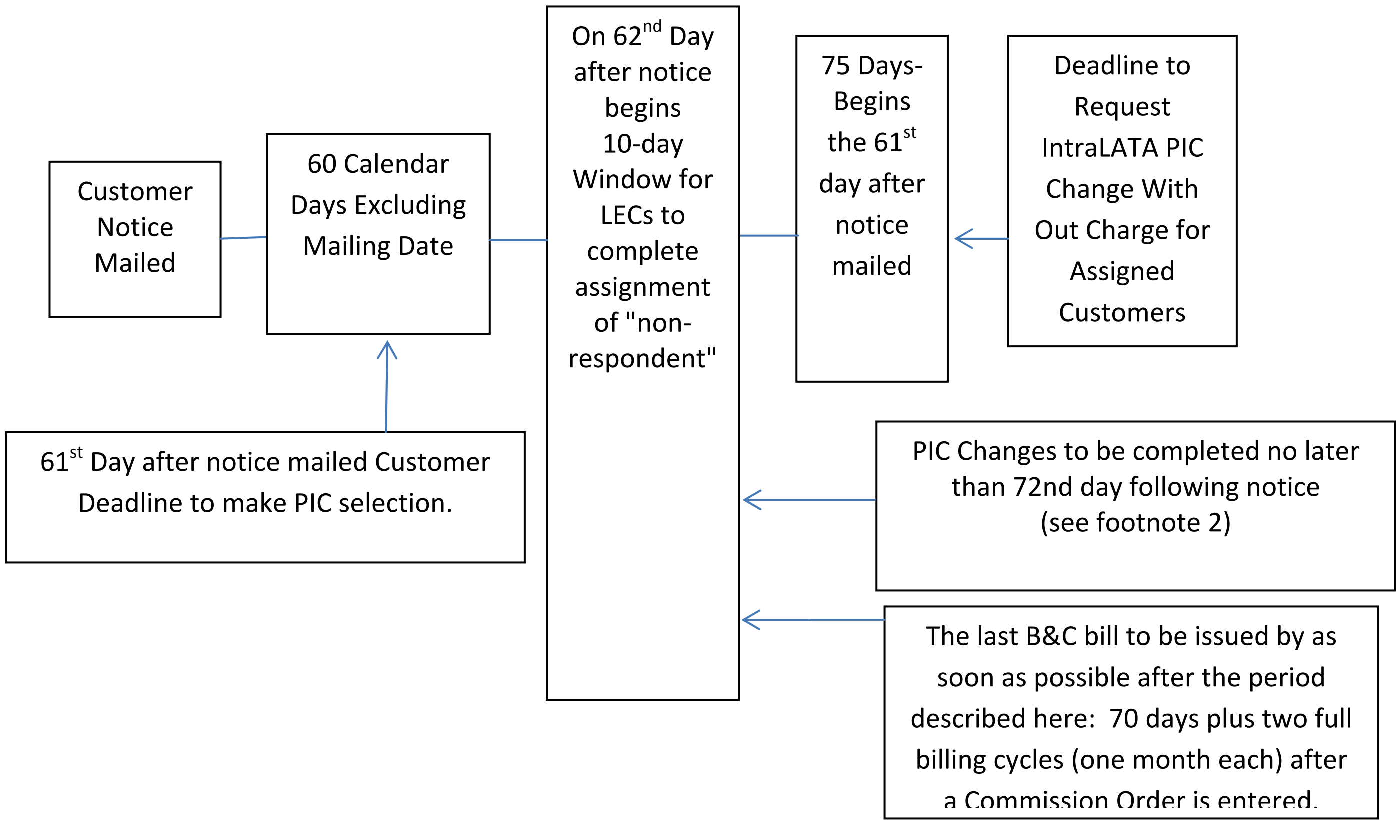
By: ______________________
Sommer Templet

Public Utility Commission of Oregon Staff

By: ______________________
Jason Jones

Asotin Telephone Company
Beaver Creek Cooperative Tel. Co.
Canby Telephone Association
Cascade Utilities, Inc.
CenturyTel of Eastern Oregon, Inc.
CenturyTel of Oregon, Inc.
Clear Creek Mutual Telephone Co.
Colton Telephone Company
Citizens Telecommunications Company of Oregon
Eagle Telephone System, Inc.
Gervais Telephone Company
Helix Telephone Company
Home Telephone Company
Humboldt Telephone Company
Molalla Telephone Company
Monitor Cooperative Telephone Company
Monroe Telephone Company
Mt. Angel Telephone Company
Nehalem Telecommunications, Inc.
North-State Telephone Company
Oregon Telephone Corporation
Oregon-Idaho Utilities, Inc.
Peoples Telephone Company
Pine Telephone System, Inc.
Pioneer Telephone Cooperative
Roome Telecommunications, Inc.
Scio Mutual Telephone Association
St. Paul Cooperative Tel. Assoc.
Stayton Cooperative Telephone Company
Trans-Cascade Telephone Company

Attachment 2



Rural LECs to send Customer Notice by 30th day after Commission Order approving Stipulation is entered.

CenturyLink QC to file FCC application one week after customer notices sent
Deadline for customers to respond to RLECs with their LPIC choice - 60 days after notice mailed[1]

ILECs make LPIC change to customers that did not respond by 72nd day after Notice mailed.[2]

Retail customers that did not respond to the ILEC and had their LPIC changed by the ILEC have up to 136 days after notice is mailed to make one choice of LPIC change without incurring an LPIC change charge.

The billing and collecting arrangements between entities will remain in place to facilitate the reimbursement for toll up to seventy days plus two full billing cycles (assuming billing cycles are every month) after a Commission Order is entered.

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[1] 60 days notice is necessary in order to obtain FCC approval as well as meet the OR PUC notice requirements.
[2] Deviations in the 10 day processing period deadline will be considered by Staff and CenturyLink QC on a case by case basis to allow for processing large volumes of PIC changes for customers that don't notify the company during the 60 day customer notice period.

Oregon ILEC's Letterhead

XXXXXXX, 2015

<Bill Name Line 1>
<Bill Address Line 1>
<Bill City>, < Bill State> < Bill Zip>

Re: CenturyLink's Notice of Intent to Discontinue Offering Local Long Distance Service

Dear Customer:

This letter is being sent to you because we have been informed that your current local long distance carrier, Qwest Corporation, d/b/a CenturyLink QC, will be withdrawing as a local long distance provider in the state of Oregon, effective XXXX, 2015, subject to approval by the Federal Communications Commission. The Oregon Public Utility Commission (OPUC) has approved this action by CenturyLink QC. **Therefore, you must select another long distance provider by XXXXX, 2015.** Once you have selected a new local long distance provider, **please contact us at _______Telephone #_______ with your choice. There will be no charge to transfer your service.**

[Insert appropriate paragraph for your LATA - see below]

If you want information about possible replacement carriers, such information is available and at the CUB Connects website http://cubconnects.org/ or at CUB Connects telephone number ___________. CUB Connects is a free, unbiased resource that helps consumers to navigate the competitive marketplace for telecommunications services available in your local community. You may also get information regarding replacement carriers by calling us toll-free at XXXXX

If we do not receive your selection of a new local long distance provider by March 20, 2015, we are required to assign the other long distance provider on your account (the one used for calling XXXXX or out-of-state) as your local long distance provider. If you do not have another long distance provider, you will not be assigned to another provider and you will not be able to make local long distance calls until you select a new local long distance provider. **Therefore, if you currently do not have another long distance provider and you want to be able to make local long distance calls after XXX, you must select a local long distance provider and notify us at __Telephone #______ with your choice.**

If you have a preferred carrier freeze (PIC freeze) on your account,[1] it will be removed for this one change and then will be reinstated.

[1] A PIC freeze is a request that would have been made by you previously, to ensure that your long distance provider was never changed without your authorization.

This change in local long distance providers will not affect any other services you receive from us. If you have any questions about this letter or the selection process, please contact us at ______________________.

Sincerely,
Telephone Company

The following statement is required by the Federal Communications Commission (FCC):

The FCC will normally authorize this proposed discontinuance of service (or reduction or impairment) unless it is shown that customers would be unable to receive service or a reasonable substitute from another carrier or that the public convenience and necessity is otherwise adversely affected. If you wish to object, you should file your comments as soon as possible, but no later than 15 days after the Commission releases public notice of the proposed discontinuance. Address them to the Federal Communications Commission, Wireline Competition Bureau, Competition Policy Division, Washington, DC 20554, and include in your comments a reference to the Sec. 63.71 Application of Qwest Corporation d/b/a CenturyLink QC. Comments should include specific information about the impact of this proposed discontinuance (or reduction or impairment) upon you or your company, including any inability to acquire reasonable substitute service.

Attachments: Map showing Oregon Local Long Distance Calling Areas

The following information should not be included in the notice unless it is inserted in the appropriate spot noted above.

Alternate paragraph for the Portland LATA:

CenturyLink is currently your provider of local long distance service, which refers to long distance calls within the Portland local long distance calling area. Please see the attached map. For instance, calls from Portland to Bend are local long distance. Other calls, including calls to Eugene, or out-of-state calls, are carried by your other long distance toll carrier, or you may have selected to not have a carrier for those types of long distance calls.

Alternate paragraph for the Eugene LATA:

Local long distance service refers to long distance calls within the Eugene local long distance calling area. Please see the attached map. For instance, calls from Eugene to Ashland are local long distance. Other calls, including calls to Portland, or out-of-state calls, are carried by another long distance toll carrier (which may be an affiliate of

CenturyLink QC), or you may have selected to not have a carrier for those types of long distance calls.

Alternate paragraph for the Boise LATA (OR-ID Utilities is in that LATA):

CenturyLink is currently your provider of local long distance service, which refers to long distance calls within the southeast Oregon local long distance calling area. Please see the attached map. For instance, calls from Jordan Valley to Vale, or to Boise, Idaho are local long distance. Other calls, including calls to Portland, or calls to states other than southern Idaho, are carried by your other long distance toll carrier, or you may have selected to not have a carrier for those types of long distance calls.

RLEC Option – RLECs may choose to include a list of alternative carriers that satisfies the requirements of equal access rules and procedures. The list should represent a good faith effort to correctly list currently available intraLata long distance providers serving the RLECs territory and provide correct contact information. In the body of the notice the RLEC may add a reference to the alternate provider list. The RLEC is not required to list over-the-top or VoIP providers that are not certificated by the Oregon Commission or providers that do not have a CIC code. If the company decides to provide a list they still need to provide their telephone number in the customer notice.

Attachment 4

CIC 0000 Customers

Company	**IntraLATA Qwest PIC* Customers**		
Asotin (TDS)	0		
Beaver Creek	259		
Canby	0		
Cascade**	3,336		
Citizens	1,742		
Clear Creek	143		
Colton	152		
Eagle	153		
Gervais	8		
Helix	115		
Home (TDS)	5		
Humboldt	0		
Molalla	466		
Monitor	225		
Monroe	100		
Mt. Angel	454		
Nehalem	580		
North-State	26		
Oregon Tel. Corp.	66		
Oregon-Idaho	240		
People's	105		
Pine	213		
Pioneer Coop	724		
Roome	132		
Scio	270		
St. Paul	12		
Stayton	371		
TOTAL	9,897	$7.50	$74,228

*CIC 0000

**Includes Trans-Cascades

ORDER NO. 03-609

ENTERED OCT 16 2003

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UX 28

In the Matter of QWEST CORPORATION'S Petition to Exempt from Regulation Qwest's IntraLATA Toll Service, Operator Service Charges, and 800 Service Line Option.	)	ORDER

DISPOSITION: STIPULATION ADOPTED; PETITION TO DEREGULATE OPERATOR SERVICES DENIED

Qwest's Petition. On May 10, 2002, Qwest Corporation (Qwest) filed a petition with the Commission to exempt from regulation intraLATA toll, 800 ServiceLine Option, and Operator Services. Commission Staff filed a June 13, 2002 report for the Public Meeting of June 18, recommending that the Commission suspend the petition and initiate a further investigation. The Commission did so at the Public Meeting. Order No. 02-415.

Qwest's petition asks the Commission to deregulate, pursuant to ORS 759.030, the following services:

1. 800 ServiceLine Option services. Qwest's 800 ServiceLine Option assigns an 8XX number (i.e., 800, 822, 833, 844, 855, 866, 877, or 888) to an exchange telephone number. This allows for the completion of intraLATA 8XX calls, in addition to all other usage.

2. IntraLATA toll services (local long distance). Qwest's intraLATA toll service allows customers to call outside their local area. Qwest's intraLATA toll services covered in the application include Two-Point Message Telecommunications Service

(MTS), MTS related optional service offerings, MTS contracts, 1-800 Calling Service, 800 ServiceLine Option, and the Competitive Response Program.

3. *Operator Services.* These are services, such as Station to Station and Person to Person, in which a customer calls a Qwest operator for assistance. Operator Services include Operator Handled Surcharges and Busy Line Verification/Interrupt Services. Operator handled surcharges apply when a customer dials "0" when making a call. Classes of calls include Calling Card, Station to Station, and Person to Person. Busy Line Verification/Interrupt Service allows a calling party to determine, with assistance of an operator, whether a line is in use. If so, the operator will interrupt conversation on the line at the party's request.

Procedural History. The Oregon Telecommunications Association, Beaver Creek Cooperative Telephone Company, Eastern Oregon Telecom LLC, GVNW Consulting Inc., Electric Lightwave Inc., Citizens' Telecommunications Company, AT&T Communications of the Pacific Northwest, Inc. (AT&T), and WorldCom Inc. (WorldCom) intervened in the docket. On November 15, 2002, Qwest submitted its prefiled testimony. Parties convened for a settlement conference on January 21, 2003.

As a result of the conference, Qwest and Commission Staff agreed to enter into a stipulation (the Stipulation) to recommend deregulation of Qwest's intraLATA toll and 800 ServiceLine Option services with certain conditions. On February 14, 2003, Staff filed its testimony, in which it submitted the Stipulation and recommended that the Commission grant Qwest's petition to deregulate its intraLATA toll services and 800 ServiceLine Option services. Staff's testimony opposed the portion of Qwest's petition seeking to deregulate its Operator Services. GVNW, a consulting firm representing several independent telephone companies, filed testimony on two different conditions in the stipulation but did not oppose the Stipulation.

On February 28, 2003, Qwest filed its rebuttal testimony to Staff's testimony. AT&T filed testimony on February 28 as well, and WorldCom filed comments on certain access charge issues on the same date. Neither party opposed the Stipulation or opposed Qwest's request to deregulate Operator Services. Qwest moved to strike WorldCom's comments because access charge issues are not relevant to the current docket, and because the procedural schedule required testimony, not comments. The Administrative Law Judge (ALJ) granted Qwest's motion. WorldCom then withdrew from the case.

The ALJ allowed Qwest to file supplemental reply testimony because of several discovery issues, and Qwest filed its reply to AT&T's testimony and WorldCom's comments on March 12, 2003.

The Stipulation. The Stipulation between Commission Staff and Qwest, to which no party filed objections, provides that the Commission should exempt from regulation Qwest's 800 ServiceLine Option and intraLATA toll, subject to conditions. With respect to the 800 ServiceLine Option, the Stipulation imposes two conditions. First, Qwest will notify its 800 ServiceLine customers that the Commission has deregulated its 800 ServiceLine Option. Qwest will issue the notice at its own expense. The notice will also state that alternatives to Qwest's service exist. Second, Qwest will notify its 800 ServiceLine Option customers at its own expense at least 15 days prior to the effective date of a rate change that it will change its rates. The notice will provide the new rates and will also state that alternatives to Qwest's service exist.

With respect to Qwest's intraLATA toll service, the Stipulation imposes seven conditions. First, each Qwest intraLATA toll service shall continue to be subject to a price floor. Second, Qwest shall notify the Commission of any price changes to any intraLATA toll service rate within 30 days of such price change and will provide its intraLATA toll customer with written notice, at Qwest's expense, of increases in standard service charges at least 30 days before implementation. Qwest is also to notify its intraLATA toll service customers that the Commission has deregulated intraLATA toll services.

Third, Qwest will remain the designated carrier (carrier of last resort), as described in Order No. 93-1133, and will maintain its current toll originatin points unless the Commission authorizes otherwise. Fourth, Qwest is to offer a default option in each exchange where Qwest provides intraLATA toll service, to allow customers to subscribe to standard intraLATA toll service at reasonable rates. Fifth, Qwest is to maintain ubiquitous toll network quality, to reinforce network capacity where and when it is needed, to coordinate with connecting local exchange carriers, to continue to provide toll operator and directory assistance services to rural carriers in Oregon on a wholesale basis, and to maintain service quality in compliance with Commission standards.

Sixth, Qwest is to provide work papers showing total Oregon regulated amounts for calendar 2002, along with a number of other detailed reporting requirements having to do with costs and allocation of investments and expenses. Seventh, Qwest may not deaverage its intraLATA toll rates without prior Commission approval.

Staff submitted testimony in support of the Stipulation because Staff concluded that the public interest no longer requires full regulation of either Qwest's 800 ServiceLine Option or Qwest's intraLATA toll services. Consistent with this finding, under ORS 759.030(2), the Commission may exempt these services from regulation. Staff's concerns about exempting these services from regulation are mitigated by the conditions set out in the Stipulation.

Applicable Law

ORS 759.030 provides in relevant part:

* * * * *

(2) Upon petition by any interested party and following notice and investigation, the commission may exempt in whole or in part from regulation those telecommunications services for which the commission finds that price or service competition exists, or that such services can

be demonstrated by the petitioner or the commission to be subject to competition, or that the public interest no longer requires full regulation thereof. The commission may attach reasonable conditions to such exemption and may amend or revoke any such order as provided in ORS 756.568.

(3) Upon petition by any telecommunications utility, and after notice and hearing, the commission shall exempt a telecommunications service from regulation under the following conditions:

(a) Price and service competition exist.

(b) A service which is deregulated under this subsection may be regulated, after notice and hearing, if the commission determines an essential finding on which the deregulation was based no longer prevails, and reregulation is necessary to protect the public interest.

(4) Prior to making the findings required by subsections (2) and (3) of this section, the commission shall consider:

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

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

(c) Existing economic or regulatory barriers to entry.

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

* * * * *

See also OAR 860-032-0025.

The Oregon Legislature (section 2, chapter 589, Oregon Laws 1999) has required the Commission to submit an annual report to the Governor and Legislative Assembly including information on

(1) The status of competition in the telecommunications industry;

(2) Significant changes that have occurred in the telecommunications industry during the preceding 12 months;

(3) Statutes that inhibit or discourage competition in and deregulation of the telecommunications industry;

> (4) Specific actions taken by the commission to reduce the regulatory burden imposed on the telecommunications industry, including telecommunications utilities and competitive telecommunications providers;
>
> (5) Specific actions taken by the commission to maximize the opportunities for telecommunications utilities and competitive telecommunications providers to achieve pricing flexibility, including rate rebalancing, exemption from regulation, and streamlined regulations.

In brief, the relevant statute provides that the Commission must deregulate a service if price and service competition exist (ORS 759.030(3)) and may deregulate a service if price or service competition exist, if the service is found to be subject to competition, or if the public interest no longer requires regulation (ORS 759.030(2)). Under either provision, the Commission must consider the four factors listed under ORS 759.030(4), which are reiterated in OAR 860-032-0025.

Findings of Fact. Based on the preponderance of evidence in the record, the Commission makes the following finds of fact.

Qwest seeks to deregulate four kinds of Operator Services (OS): 1. busy line verification/interrupt services; 2. calling card services; 3. station to station calls; and 4. person to person calls. OS fall into two categories: busy line/interrupt services and operator handled surcharges. Busy line/interrupt service allows a calling party to determine with the help of an operator whether a line is in use. If so, the operator will interrupt the conversation.

Operator handled surcharges are incurred when a customer dials 0 when making a call. Types of operator handled surcharge OS include calling card, station to station, and person to person calls. Station to station is the most important OS service by an order of magnitude. The customer dials 0 and gives the operator personal information about himself and tells the operator what number he or she wants to call (the customer can also dial 0 plus the number with the same result). Dialing 0 connects callers in Qwest's territory to the local carrier (either Qwest or a certified CLEC) for that phone line. The operator will put the call through, and the called party has the option of accepting the call and paying the operator handling charges or refusing the call. Person to person is another type of operator handled call. The caller dials the operator, who then tries to place the call to a specific named person at the requested number.

The calling card OS service involves Qwest issuing a type of calling credit card to its customer. Typically, a customer would then use the card by dialing a number plus identifying information from the previously issued calling card. The operator will assist in completing the call, which is then billed to the caller's calling card account. These are not prepaid calling cards.

Qwest charges $1.30 for the operator assisted station to station call. Qwest's charge for a person to person call is $3.00. Further, Qwest charges $1.40 for a busy line verification service and $2.80 for its busy line interrupt service. Qwest's charge for a customer dialed calling card is $.50.

In the four states where Qwest's OS services have been deregulated, Qwest has raised the prices as follows: station to station calls increased to $5.50, and person to person increased in three of the four states to $9.99.

The table below lists other carriers' prices for the services Qwest seeks to deregulate. AT&T sometimes offers free promotional use of its OS services.

Operator Service	Qwest	AT&T	MCI
Customer dialed calling card	$ .50	$2.25 to $5.50	$1.25 to $2.00/month
Operator assisted station to station	$1.35	$9.95	$4.99
Operator assisted Person to person	$3.00	$9.99	$3.90
Busy Line Verification	$1.40	$12.50	n/a
Interrupt	$2.80	$12.50	n/a

The Commission's website lists over 70 certified OS providers.

Qwest's Position. Qwest asserts that it has met the statutory requirements of ORS 759.030 for deregulation of the services it has requested in Oregon. It has shown there is service and price competition, that such services are thus subject to competition, and that the public interest no longer requires full regulation of such services. Qwest further asserts that it has met the statutory and administrative factors of ORS 757.030 and OAR 860-032-0025 by showing that these services are available from alternative providers in the relevant market, that the services of alternative providers of these services are functionally equivalent or substitutable at comparable rates, terms, and conditions in their respective markets, that there are no existing or regulatory barriers to entry, and that there are no additional factors that require continued regulation or that preclude deregulation of such services.

ORS 759.030(4). The Four Factors. *The Relevant Market.* Qwest argues that the relevant market includes all providers that represent a viable alternative to Qwest's services. This relevant market, according to Qwest, includes not only the geographic area that Qwest is currently serving as a local exchange carrier but also the areas that Qwest's competitors serve. The vast majority of companies currently providing long distance services (including the services at issue here) in competition with

Qwest offer service anywhere in the state of Oregon, both within LATAs and across LATAs. Qwest argues that this is especially the case because intraLATA toll competition has increased over the past decade and intraLATA dialing parity has become universally available in the state over the past four years. It is safe to assume, Qwest contends, that AT&T and other long distance company services are available statewide.

Qwest notes that OS are available in Oregon from traditional carriers (local and long distance wireline companies) and from nontraditional means, such as alternative operator service (AOS) providers. The Commission has certified over 70 competitive providers to offer OS in Qwest's service territory. These include presubscribed intraLATA toll providers, interLATA toll providers, and competitive local exchange carriers (CLECs). The Commission does not regulate AOS providers or the OS that traditional long distance companies provide.

Functionally Equivalent Services. Qwest argues that its competitors provide comparable, functionally equivalent or substitutable services at comparable rates, terms, and conditions.

In support of its contention that there is service competition for OS, Qwest argues that it has experienced significant declines in volume and market shares for OS. Qwest argues that additional data from AT&T supports this contention.

For OS, a 2000 study by the Pelorus Group (Pelorus study) indicates that toll service providers (interexchange carriers (IXCs) like AT&T, WorldCom, and Sprint) realized 94.8 percent of the national OS market revenue in 1998, and 85.9 percent of the intrastate market, compared to the Regional Bell Operating Companies' (RBOCs) and other incumbent local exchange carriers' (ILECs) 9.3 percent share of such intrastate market. Qwest notes that there has been a significant shift in the RBOCs' market shares for intrastate OS revenues, from 32.1 percent in 1995. Qwest could obtain data on OS minutes of use and volume from only one competitor, AT&T, but this information shows that at least one provider other than Qwest is handling a significant proportion of the intraLATA OS call volume in Oregon. In light of this information, there can be no doubt, according to Qwest, that there is viable competition in the OS market in Oregon.

Barriers to Entry. Qwest argues that there are no economic or regulatory barriers to entry. Qwest cites to the more than 70 certified competitors listed on the Commission's web site. These carriers' ability to bundle or resell services with minimal capital investment is further proof that there are no economic or regulatory barriers to entry in these markets, according to Qwest.

Staff contends that Qwest's access to the "0" dialing code for OS is a barrier to entry. Qwest opposes this position. Qwest argues that there is ample competition despite the 0. Qwest was the predominant provider of the 0 operator access in the past, before intraLATA presubscription, but that is no longer true given the current availability of CLECs, wireless carriers, prepaid calling card providers, and alternative intraLATA presubscribed long distance carriers, all of which can be reached by dialing 0. Qwest showed that most Qwest customers are presubscribed to an intraLATA long distance provider other than Qwest. The majority of Qwest customers have access to the OS of carriers other than Qwest. Second, Qwest showed that 12 of its 13 other states have deregulated or found OS subject to competition, and Qwest has the 0 code in those states. Qwest argues that Staff is simply wrong when it alleges that all other competitors must use a dial around access code. Presubscribed intraLATA toll carriers automatically receive 0 calls, and interLATA long distance providers' OS are accessed by dialing 00, only one more digit than 0. Qwest argues that this is hardly a barrier to entry, as Staff contends.

Other Factors. Qwest contends that other relevant factors favor deregulation. 1. Qwest's declining market shares show that there is competition. Qwest can quantify and it has quantified (in the confidential record) the steep declines in OS volumes and revenues over the past decade due to competition.

Some may argue that Qwest has too high a market share today even with the competitive losses it has shown. But for many years Qwest was a regulatory monopoly. Since Qwest likely had a 100 percent share, or close to it, of all OS calls just a few years ago, before the advent of competition, it is significant that Qwest now likely has substantially below 50 percent of the total OS market. Qwest argues that the US Congress and the Oregon Legislature were well aware that Qwest and other ILECs had historical monopolies when they enacted deregulation statutes. Nevertheless, they established deregulatory schemes allowing for deregulation if a company like Qwest can meet certain criteria, which Qwest clearly has met in Oregon and elsewhere.

Qwest contends that Staff's testimony is based on flawed assumptions, unsubstantiated allegations, and erroneous information. For example, Qwest showed that there has been a significant shift in the share of intrastate OS revenue from RBOCs like Qwest to toll service providers like AT&T, WorldCom, and Sprint over the past few years, and that by 1998, RBOCs' share of the market had declined to 9.3 percent, while toll service providers' share was 85.9%. Further, Staff attempts to discredit the analysis that Qwest's share of the market is declining because of increased consumer use of alternative providers. According to Qwest, Staff's criticism is wholly without merit, because it is based on the faulty logic that Qwest has provided no credible evidence that the OS market has not contracted. Instead, Qwest showed that Qwest's OS call volumes continued the sharply declining trend in 2002. In addition, since the advent of presubscription in Oregon in 1998, Qwest's intraLATA toll call volumes have declined steeply, while the intraLATA toll volumes of Qwest's competitors have risen sharply. All 0 plus OS calls originated by this subset of intraLATA callers have similarly shifted from Qwest to its competitors. Finally, Qwest showed that the report it cited as evidence for such market share information was based on a report by a well-known, credible market research firm.

2. Qwest argues that the Commission should ensure that there is parity among providers. Qwest is the only regulated OS provider. Qwest believes this is both unfair and discriminatory, especially given the evidence of OS competition in Oregon that Qwest has presented.

3. Most Qwest states have found OS to be competitive. Each state has its own deregulation scheme but many have statutory or administrative factors remarkably similar to Oregon's. According to Qwest, other states have remarkably similar criteria in determining whether to deregulate or to find a service competitive. Iowa, Washington, Arizona, Colorado, South Dakota, and Montana all require their commissions to consider the following factors: (1) the number, size, and distribution of alternative providers of the service; (2) the extent to which services are available from alternative providers in the relevant market or geographic area; (3) the ability of alternative providers to make functionally equivalent or substitutable services readily available at competitive rates, terms, and conditions (or just and reasonable rates, or reasonable and comparable rates); (4) barriers to entry; and (5) other factors similar to those in Oregon.

4. Qwest notes that the Commission can reregulate OS if appropriate.

ORS 759.030(3); (2) Service Competition. Qwest concludes that price and service competition exist for OS in Oregon. The wide array of different types of providers, all of which are unregulated, actively compete against Qwest's OS and have succeeded, as demonstrated in Qwest's market share losses. Qwest's largest competitors, AT&T and WorldCom, are the two largest long distance carriers in the country and have access to 100 percent of the customers in Oregon. Alternatives to Qwest's operator services are available throughout Qwest's Oregon service territory to all market segments. Finally, Qwest argues that the sharp decline in its OS volumes and revenues in Oregon over the past decade clearly shows there is service competition in the OS market.

Price Competition. Qwest notes that its competitors' rates are higher for certain OS. However, Qwest also showed that AT&T has, on occasion, waived all OS usage and service charges for its local service residential customers. Thus, according to Qwest, the range of rates for AT&T's operator services appears to be very broad (from 0 to close to $10.00). Qwest submits that this variation indicates a competitive market. Competition, Qwest contends, does not require every carrier to offer the same service at the same price. The differentiation apparent in the Oregon OS market allows consumers to make their selection based on the product attributes that best meet individual needs. Qwest argues that allowing it to compete on equal footing with other operator service providers, including AT&T, will further enhance the market and bring additional competitive alternatives to Oregon consumers.

Qwest notes that Staff admits how rare perfect competition is. Still, Qwest clearly showed that many alternatives exist to Qwest's operator services and that Oregon subscribers now have easy access to these alternative service options. Qwest asserts that the level of competition in the OS market, although not perfect as an economist might define the term, is more than sufficient to meet statutory requirements for deregulation. Further, as Qwest has shown, Qwest has no market power for OS, even if the price for OS is not set at marginal cost.

The fact that there is a range of prices, and thus the prices of some OS alternatives vary from Qwest's, is not a relevant factor. Qwest contends that there is no Oregon statute or rule requiring prices to be the same to have a service deregulated.

Also, according to Qwest, the fact that prices for OS options vary indicates a competitive market. The key issue is that the consumer has a choice between OS providers.

Further, although Qwest's operator services rates are lower than some of its competitors, Qwest notes that only its OS prices have been set through regulation and not through market forces. In a competitive market providers seek to differentiate themselves to encourage consumers to choose their services. The market, Qwest asserts, will dictate service composition and price.

Qwest notes that in UX 27, the Commission did not apply its previous precedent from Order No. 94-1556 in docket UX 15 (deregulating VMS) and Order No. 98-018 in docket UX 18 (deregulating Qwest's VMS). In those cases, the Commission found that there was price competition for VMS despite the fact that prices ranged from under \$5.00 to \$25.00 per month. Qwest believes that Staff wishes to punish it because Qwest's prices are much lower than those at the market price levels or because Staff prefers Qwest's prices to those that AT&T, WorldCom, or other alternative providers charge. It would be unfair, according to Qwest, to punish it because its prices are low and other OS providers who remain unregulated are free to set their prices based on market forces. [1]

Qwest notes, finally that there is no requirement that all carriers have the same or similar prices to find that competition exists. Consumers can choose based on the product attributes that meet their individual needs. The market will dictate service composition and price. Allowing Qwest to compete on equal footing with other OS providers including AT&T will enhance the market and bring additional competitive alternatives to Oregon consumers.

Subject to Competition. Qwest argues that its OS in Oregon are subject to competition. There is both price and service competition, so by definition these services are subject to competition.

The Public Interest. Qwest argues that the public interest no longer requires full regulation of OS. Qwest also notes that other states have deregulated Qwest's OS or classified it as competitive. Qwest argues that it does not need to make a showing with respect to public interest if it shows that price competition exists for these services or service competition exists, or Qwest or the Commission can demonstrate that OS is subject to competition. Nor is Qwest required to make such a showing under the alternative basis of deregulation under ORS 759.030(3) and OAR 860-032-0025(1), which requires deregulation if price and service competition exist for OS. This is especially true because the wide array of alternative providers and choices for OS that consumers in Oregon have today. Qwest argues that this Commission's and the Oregon Legislature's procompetitive policies and the current technological and market environment, all make regulation of such services unnecessary and unwarranted. Deregulation will allow all providers of OS to respond effectively and compete in

[1] We address Qwest's argument about precedent in the voice messaging cases in Order No. 03-600, UX 27, order on reconsideration.

meeting the needs of the Oregon consumer, including lowering costs and promoting further competition.

Finally, consistent with the fact that the public interest no longer requires full regulation of OS is the fact that almost all other states in Qwest's region have either deregulated Qwest's OS (Idaho, Iowa, Nebraska, and South Dakota) or have classified Qwest's OS as being competitive (eight other states). Qwest contends that there is no reason for this Commission to arrive at a different conclusion.

Qwest argues that this is first an issue of parity. According to Qwest, competition fosters innovation and the creation of new and better services with more features and options. Qwest is the only operator services provider among the many competitors that is regulated and required to provide calls at prices set by regulation. Other carriers such as AT&T and WorldCom are providing the same type of service. Exempting Qwest's operator services from regulation would allow Qwest to compete on an equal footing. The current scenario, according to Qwest, ensures that regulation or deregulation is based on the type of carrier involved instead of the type of service provided. The other operator services providers are giving comparable, functionally equivalent, substitutable services and remain unregulated.

Third, customers vote with their fingers in deciding to use operator services alternatives. In Oregon, if the Commission finds that there is competition, ORS 759.030 dictates that the Commission should deregulate such services in response to a petition for deregulation.

Staff's Position. Staff urges the Commission to deny Qwest's petition to deregulate the four categories of OS. In summary, Staff argues that although Qwest showed limited service competition, it has not established that there is price competition for its OS. The competing OS, to the extent it exists, is priced substantially above Qwest's. Such high prices by alternative providers "indicate that price constraining competition does not exist in the relevant market." Order No. 03-368 at 17 (UX 27). In the four states where Qwest has been allowed to deregulate its OS, Qwest has increased its OS price to identical levels. Under similar facts in UX 27 the Commission declared that high prices offered by alternative providers shows that price competition is lacking.

Even if Qwest's showing fails to meet the requirements of ORS 759.030(3)(a), the Commission has discretion to grant the petition if Qwest meets one of four requirements. Staff urges us to apply the same analysis as in UX 27. There, at 17, the Commission stated: "We do not believe it is in the public interest to deregulate a service for which the prices will almost certainly go up, with no offsetting benefit to customers." Staff argues that Qwest did not show that the price increases it implemented after OS deregulation in other states were accompanied by any offsetting benefits to consumers. According to Staff, deregulation will likely only bring higher prices to consumers.

Staff contends that the Commission's recent order in UX 27, Order No. 03-368, provides guidance for the resolution of similar issues in UX 28. There, the

Commission applied the ORS 759.030(4) criteria to Qwest's petition to deregulate its DA service. The Commission first considered the relevant market under ORS 757.030(4)(a). The Commission limited its consideration to those services that were directly comparable, as well as those that were reasonable substitutes that were readily available, to Qwest's DA service. The Commission then looked at the prices for the comparable services (comparable rate, terms, and conditions) as required by the statute. The Commission concluded that the alternative providers' prices were relatively high compared to Qwest's ($.65 to $1.99 per call vs. Qwest's first two calls per month free plus $.50 thereafter). Based on this finding, the Commission concluded that price constraining competition did not exist in the relevant market.

The Commission then ended its analysis under ORS 759.030(3) because it concluded that price competition does not exist in the relevant market. Qwest's failure to show price competition under the 759.030(4)(b) criterion negated the need to proceed with the rest of the ORS 759.030(4) analysis under ORS 750.030(3). As a result, the Commission did not make a finding about barriers to entry or any other factors (the criteria of ORS 759.030(4)(c) and (d)).

The Commission next applied ORS 759.030(2), under which it has discretion to allow or deny the petition if Qwest makes one of four showings also using the ORS 759.030(4) criteria. The Commission denied the petition because Qwest could not show that the public interest no longer required full regulation of its DA service. The Commission was concerned about the evidence that Qwest had consistently raised the price of its DA service and eliminated the two free calls in every state where the service had been deregulated. The Commission reasoned "we do not believe it is in the public interest to deregulate a service for which the prices will almost certainly go up, with no offsetting benefit to customers." Order No. 03-368 at 17.

ORS 759.030(4). The Four Factors. *Relevant Market.* Staff proposes that the relevant market is Qwest's service territory in the entire state. Within that geographic market, the relevant market includes those alternative providers that offer OS services. Staff agrees with Qwest that AT&T and MCI, to a more limited extent, are alternative providers offering comparable OS service in the relevant geographic market. (MCI, according to Staff's investigation, does not provide Busy Line Verification/ Interrupt.) Staff also agrees with Qwest that the relevant market includes the fourteen competitive local exchange carriers (CLECs) who self certified in response to a Commission survey that they provided OS services. However, Staff notes that Qwest still owns 98 percent of the residential lines in the local market where the 14 CLECs operate (assuming statewide ILEC market share is representative of Qwest's market).[2]

Qwest also argues that there are over 70 OS providers listed on the Commission's web site. Staff notes that Qwest provided no evidence as to whether any

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[2] Qwest points out that it sells some of that 98 percent to resellers. Thus, according to Qwest, ownership of residential lies is irrelevant, since the end user customer would pay the OS charges to the reseller or CLEC. The percentage of CLEC business lines is at least 21 percent and growing.

of these providers are operating in Qwest's service territory. Nor did Qwest show whether they are in fact providing OS services. The same concerns apply to the dial around providers.

Both Staff and Qwest address the concept of market share within the relevant market analysis. Qwest asserts that it has lost some of the OS market share, which it evinces for the existence of active competition. Staff disagrees with Qwest. Staff contends that Qwest provided data to support its claim that its OS revenue and minutes of use have declined but has provided no evidence to support its claim that it has lost market share. Qwest based its claim of declining market share on an assumption that the OS market grew from 1998 through 2001. Qwest calculated its OS market share by comparing its 2001 OS messages, not revenue, with a forecast of how many OS calls it would have carried if the market had either remained flat or increased at a rate of 2 percent per year since 1998. Qwest states that using a 2 percent annual growth rate from 1998 through 2001 is conservative. Qwest's claim is apparently based on the Pelorus study, which projected that the OS market would grow at an annual rate of 2.4 percent from 1998 to 2004. The Pelorus study does not describe the methodology used to develop its predictions for growth (shrinkage) of the OS market. Nor are the data referenced in the study sufficient to determine market share or forecast changes in the number of OS calls provided.[3]

The study begins its description of the sources of data on the OS market with a disclaimer. Then it lists data sources, none of which contain information on the number of OS calls or OS revenue. What data are available from these sources is price data, which cannot be used to determine the size of the OS market or Qwest's share of that market.

In its supplemental response to Qwest's second set of data requests, AT&T reported that its total intraLATA OS minutes of use in Oregon decreased more than Qwest's. Staff concludes that if Qwest is losing OS market share it is not to AT&T.

If the overall market is declining but Qwest is losing proportionately less minutes of use than its competitors, its market share would actually be growing. Given the above discussion it seems plausible that the OS market has been contracting, especially considering that Qwest is the provider with lowest price, is the incumbent, and is still carrying fewer OS calls.

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[3] Qwest responds that RBOCs and ILECs account for only 3.1 percent of the total market and 9.3 percent of the intrastate market. Toll service providers held 94.8 percent of the total OS market. According to Qwest, this clearly shows that RBOCs and ILECs like Qwest are losing market share. Moreover, the Pelorus study makes clear that there is a relationship between toll services and OS. The primary toll carriers offer OS in Oregon. If toll services are deemed competitive enough to be deregulated, the same should hold for OS. The 70 OS providers on the Commission's website are generally alternative OS providers or stand alone OS providers, such as those that provide OS to hospitals, hotels, prisons, etc. Toll carriers do not offer stand alone OS; they offer OS in conjunction with toll services. Qwest asserts that Staff's argument about market share growing or shrinking is based on mere conjecture.

Functionally Equivalent Services. In Order No. 03-368, the Commission reasoned that high prices for the alternative providers' comparable services is strong evidence that price competition does not exist in the relevant market, at 17. Here, Staff notes that AT&T's and MCI's comparable services are priced high compared to Qwest's. AT&T has a range of prices, Qwest claims. Staff contends that AT&T's offer of free OS was a limited duration promotion.

Barriers to Entry. Staff argues that Qwest's control of the 0 access number is a significant barrier to entry. While Qwest does not own the 0 dialing code, due to the lack of local competition, Qwest does control it: 98 percent of the local residential lines in Qwest's territory are currently Qwest lines. In other words, in 98 out of 100 residential lines, dialing 0 in Qwest's territory routes the call to Qwest. Staff believes that dialing 0 is the most commonly known method to access OS. These facts, Staff argues, support the conclusion that Qwest does control the 0 dialing code and has a significant advantage over its competitors for this key method of accessing OS services.[4]

Other Factors. Staff identified other considerations supporting the conclusion that the Commission should not deregulate Qwest's OS services. First Staff discussed the nature of collect calling, the most important of the OS services. In a collect call, the called party pays the related charges. The called party has no choice about which carrier is carrying the call or what the charge will be. Because there is no choice here, the Commission should be very careful before deregulating. Price competition occurs when customers know their alternatives and make their choices accordingly. This is not the situation with the OS collect calling market.

Second, Qwest's actions in states where service has been deregulated are relevant. The evidence shows that Qwest significantly increased the price of its major OS service, collect calling, in each of the four states that allowed Qwest to deregulate the service. This is significant where Qwest's OS services are already priced sufficiently above cast, as they are here.

Finally, Staff contends that OS is not an often-used service. Therefore, people do not know as much about it, including how to reach alternative providers. Staff is concerned that Qwest's market power, coupled with the lack of customer knowledge about the service and alternative options, may allow Qwest to abuse customers in the OS market.

ORS 759.030(3); (2). Service Competition; Price Competition. Staff urges the Commission to exercise its discretion under ORS 759.030(2) to deny Qwest's

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[4] Qwest contends that there is no basis for a regulatory presumption that Oregon consumers cannot choose for themselves or are not knowledgeable about OS options or 00 dialing codes, or that they need the protection of Commission regulation of Qwest's OS. Deregulation means choices, and Qwest urges the Commission not to be paternalistic.

petition for deregulation of OS, because there is no price competition, limited service competition, and because it would be against the public interest to grant it.

Staff argues that the prices charged by AT&T and MCI for OS show that price competition does not exist. In Order No. 03-368, the Commission stated, at 17, that it would not make a finding about service competition because it concluded it was not in the public interest to deregulate a service for which the prices will almost certainly go up, with no offsetting benefit to customers. The Commission should apply the same analysis here, Staff urges.

Public Interest. Staff asserts that there is strong evidence that Qwest will raise prices for its OS service if the Commission grants its petition. Qwest has presented no evidence of offsetting benefits to customers.[5] The Commission should apply the rationale of Order No. 03-368 and deny the petition.

Qwest states that 12 of 13 states have granted its petition to deregulate OS services. Staff contends that this Commission is not required to follow what other states have done. The Commission has no information on whether other states imposed conditions or whether the other states' approval was part of a larger package. Finally, Staff notes that Qwest fails to explain why it increased the price for its collect calling service in the four states where it was granted full deregulation.

Discussion. We review Qwest's application first under ORS 759.030(3). Under that subsection we must grant Qwest's application if both price and service competition exist. Our analysis must include consideration of the four factors listed in ORS 759.030(4) and reiterated in OAR 860-032-0025.

ORS 759.030(4). The Four Factors. *Relevant Market; Functionally Equivalent Services.* We find that the relevant geographic market is Qwest's service territory in Oregon. Within that territory, CLECs, interLATA toll carriers, and intraLATA toll carriers offer comparable (functionally equivalent) OS. We conclude that service competition exists for OS in the relevant market. That competition would appear to be limited, however, based on the percentage of lines that Qwest owns. Qwest objects to Staff's figure of 98 percent ownership of residential lines in its service territory, pointing out that it leases some of those lines to resellers of its services. A customer using OS on one of those lines would pay the reseller, not Qwest. Qwest asserts that at least 21 percent of its business lines are leased by CLECs. While the record does not reveal how many residential lines Qwest leases to resellers, it is safe to assume that Qwest is still far and away the dominant carrier in its service territory.

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[5] Qwest contends that there is no offsetting customer benefit requirement in the statute, nor is there any basis for the Commission's speculation about increasing prices in the future. The standard is whether there is price and/or service competition today. According to Qwest, nothing that Staff argues about innovation or offsetting customer benefits changes the fact the Legislature has made it clear that the Commission should take specific actions to reduce regulatory burdens on telecommunications utilities and to maximize the opportunities to achieve pricing flexibility, exemption from regulation, and streamlined regulations. Qwest cites to ORS 759.015; 759.020, 759.030, and 759.050

Qwest presented market share data from the Pelorus study to bolster its contention that competition exists. Staff has done a persuasive job of putting at issue the growth in the OS market. If the OS market is not growing, and Qwest is losing proportionately less minutes of use than its competitors, its market share could be growing. On this record we cannot find that Qwest is losing market share in the OS market.

Moreover, we note that the Pelorus study remains on the national level and does not give information about Oregon's OS market. Nor does it give information about the number of OS calls or OS revenue. Finally, we note that the Pelorus study includes prepaid calling cards and international location to location calls in its market study. These operator services are not part of Qwest's application and may distort the results. We find that the market share information in this record is ambiguous and general, and choose not to rely on it in this case as well.

Barriers to Entry. We find that Qwest's dominant position with respect to residential lines in its service territory makes the 0 access code a barrier to entry. Staff points out that Qwest does not own the 0 access code, but customers who dial 0 to access OS in Qwest's service territory will be connected to Qwest in an overwhelming percentage of cases. Qwest notes that CLECs control over 21 percent of business lines in its territory. We take this to mean that Qwest controls around 79 percent of those lines and a still higher percentage of residential lines.

Other Factors. Qwest argues that the Commission should ensure parity among providers. Qwest believes it is unfair and discriminatory to allow it to remain the only regulated OS provider in Oregon. Qwest points out that other states in its service territory have found Qwest's OS to be competitive or have deregulated it.

We make decisions based on the record in each case before us. What other states have done with respect to OS does not influence our decision on this record.

As to Qwest's parity argument, until very recently Qwest was the monopoly provider of local exchange telecommunications services throughout its service territory. It still owns 98 percent of the residential lines in its service territory. While Qwest objects that it sells some of these lines to CLECs, its position in the market is still predominant. Until we see price competition in the OS market segment for which Qwest requests deregulation, our understanding of our role is to keep prices close to cost through regulation.

ORS 759.030(3) (2). Service Competition. As discussed under The Four Factors, above, we find that service competition exists for OS. Alternative providers offer functionally equivalent services within the relevant market.

Price Competition. We find that the competitors for whom we have price data, AT&T and MCI, charge much higher prices than Qwest for OS. Qwest's prices are set above incremental cost. It is reasonable to assume that AT&T's and MCI's prices are well above the cost of providing OS.

Under price competition, we expect prices to fall (as long as they are above marginal cost, as they are for OS services). As we said in Order No. 96-021, "Over the long term, if the conditions for effective competition are met, competition will drive prices closer to incremental cost." In applying ORS 759.030(3), we examine the factual circumstances shown by the record to determine whether price competition exists. We give considerable weight to the fact that the alternative providers price their services higher than Qwest's. We take this to indicate that competitors are unwilling to create sufficient pressure to lower prices. The fact that prices are not falling with alternative providers in the market is evidence that there is a lack of price competition in the market. We also give weight to the fact that Qwest has raised its prices considerably in jurisdictions that have deregulated its OS.

Subject to Competition. We have determined that limited service competition exists for OS. However, we have also found that Qwest is predominant in the OS market within its service territory, which is the relevant market. Further, we have found that price competition for OS does not exist. Based on this record we do not find that Qwest's OS are subject to competition.

The Public Interest. Qwest objects that there is no offsetting benefit requirement in the deregulation statute. It is true that ORS 759.030 contains no explicit requirement for an offsetting benefit. However, ORS 756.040 mandates that we protect customers and the public generally. While the section of Oregon Laws 1999 set out in the Applicable Law section above is procompetitive, ORS 756.040 comes into play in our decision as well. Moreover, the balance between competition and regulation is explicit in ORS 759.015. That statute sets three goals for telecommunications: (1) high quality universal service; (2) just and reasonable rates; and (3) the encouragement of innovation. The Commission is to achieve these goals through a balance of regulation and competition.

If rates are expected to rise after deregulation of OS, this suggests a lack of competition, given that rates are currently above cost. Continued regulation seems appropriate. This conclusion could be overcome by a showing that the higher rates would at least be offset by higher quality service or increased innovation. Thus, ORS 759.015 seems to imply an offsetting benefit analysis. We look to an offsetting benefit to the public in cases such as this one, where the record indicates that consumers will see a price increase with no change in service. We consider such public interest concerns to be "other factors" under ORS 759.040(4)(d).

Qwest has claimed, in a vague and general way, that competition provides the consumer benefits of innovation and wider choice. If Qwest asserts such benefits, we would like to see specific and concrete examples of the benefits of competition that will flow to customers to offset price increases.

Conclusions. With respect to Qwest's OS, we have found that there is no price competition and only limited service competition. Therefore, we are not compelled to deregulate OS under ORS 759.030(3). We have discretion under ORS 759.030(2) to deregulate if price or service competitions exist. Because of our concern that the public will simply pay a higher price for the same service, we elect not to approve Qwest's petition to deregulate OS.

We find the Stipulation between Staff and Qwest covering deregulation with conditions for Qwest's 800 ServiceLine and intraLATA toll services reasonable and conclude that it should be adopted.

ORDER

IT IS ORDERED that:

1. The Stipulation between Qwest and Staff, attached to this order as Appendix A and incorporated herein by reference, is adopted in its entirety.
2. Qwest's petition to deregulate its Operator Services is denied.

Made, entered, and effective ______________________________.

Lee Beyer Chairman	**John Savage** Commissioner
	Ray Baum Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

Exhibit B

03-609

RECEIVED

FEB 26 2003

Public Utility Commission of Oregon
Administrative Hearings Division

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UX 28

In the Matter of QWEST CORPORATION Petition to Exempt from Regulation Qwest's IntraLATA Toll Service, Operator Service Charges, and 800 Service Line Option.	STIPULATION TO SETTLE ISSUES

STIPULATION TO SETTLE ISSUES IN UX 28

RECITALS

Whereas, the parties to this Stipulation are the staff of the Public Utility Commission of Oregon (staff); Qwest Corporation (Qwest); and

____.

Whereas, on June 20, 2002, the Public Utility Commission of Oregon (Commission) opened an investigation into Qwest's petition for an order exempting its intraLATA toll services (also known as "MTS service"), operator services and 800 ServiceLine from regulation;.

Whereas, on January 21, 2003, the parties convened a settlement workshop. At the workshop staff, Qwest and ____________________ reached settlement on Qwest's petition to exempt from regulation (also known as "deregulate") Qwest's intraLATA toll services and 800 ServiceLine Option as delineated in the following paragraphs.

NOW, THEREFORE, THE PARTIES EXECUTING THIS STIPULATION agree to the following terms in order to settle the following specified issues as allowed by OAR 860-014-0085:

AGREEMENT

1. General Terms

This Stipulation is entered into to resolve and settle certain disputed issues for the Commission in UX 28. It does not represent a statement or agreement by any party that the

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provisions herein can or should be used in any other jurisdiction for any purpose. Rather, it is an agreement to settle disputed matters in this proceeding in order to avoid the expense of further litigation, and to expeditiously implement Qwest's petition to exempt from regulation certain services. A party's agreement to this Stipulation shall not be used as a statement by such party that it endorses any methodology, analysis or legal interpretation.

Should the Commission fail to adopt the Stipulation, or should the Commission materially modify the Stipulation, any party hereto shall have the right to withdraw from the Stipulation and proceed with a resolution of all issues in this proceeding through hearings.

This Stipulation sets forth the entire agreement between the parties hereto and supercedes any and all prior communications, understandings, or agreements, oral or written, between the parties pertaining to the subject matter of this Stipulation.

This Stipulation may not be modified or amended except by written agreement between all parties who have executed it.

This Stipulation may be executed in counterparts, all of which when taken together shall constitute one agreement binding on the parties, notwithstanding that all parties are not signatories to the same counterpart. The parties further agree that any facsimile copy of a party's signature is valid and binding to the same extent as an original signature.

2. Qwest's 800 ServiceLine

The parties signing this Stipulation agree the Commission should exempt from regulation Qwest's 800 ServiceLine Option subject to the following conditions:

Condition 1

Qwest will notify its 800 ServiceLine Option customers that the Commission has deregulated its 800 ServiceLine Option. Qwest will issue the notice at its own expense. The notice will also state that alternatives to Qwest's service exist.

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Condition 2

Qwest will notify its 800 ServiceLine Option customers at its own expense at least 15 days prior to the effective date of the new rates, that it will change its rates. The notice will provide the new rates and will also state that alternatives to Qwest's service exist.

3. Qwest's MTS

The parties signing this Stipulation agree the Commission should exempt from regulation Qwest's MTS subject to the following conditions:

Condition 1

Each Qwest intraLATA toll service shall be subject to a price floor. The price floor shall equal the sum of the total service long run incremental cost of providing the service for the nonessential functions of the service and the price that is charged to other telecommunications carriers for the essential functions. Qwest may file a petition with the Commission to eliminate or modify the price floor in the future. Qwest shall raise the price of any intraLATA toll service, found by the Commission to be priced below the price floor, to a level that meets the price floor within 60 days of such Commission finding.

Condition 2

Notification

Qwest shall notify the Commission of any price changes to any MTS rate within thirty (30) days of any such price change.

Qwest will provide its MTS customers with written notification, at Qwest's expense, of increases in its standard intraLATA MTS service charges at least thirty (30) days prior to implementation. The following language should be used in the notice to customers: "Qwest's local long distance rates will be raised by xx % on 'Month' xx, 200x. Alternative providers of long distance plans are available. Additional

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information about alternative providers is available at the Public Utility Commission of Oregon's website, which is found at www.puc.state.or.us/consumer/."[1] Qwest may file a petition with the Commission to eliminate or modify this notification requirement in the future.

Qwest will notify its MTS customers that the Commission has deregulated MTS. Qwest will issue the notice at its own expense.

Such notices should be displayed on page 1 of any bill or bill insert and in the same font size as the text of the bill message or bill insert.

Copies of all customer notices shall be sent to the Commission within thirty (30) days of when they are first sent to customers.

Condition 3

Qwest will remain the Designated Carrier (DXC), as described in Order No. 93-1133, docket UM 384, and will maintain its current toll origination points, unless authorized by Commission order to abandon a toll origination point or to cease being the DXC for that toll origination point.

Condition 4

Qwest shall offer a default option in every exchange where it provides intraLATA toll service. The default option will allow customers to subscribe to standard intraLATA toll service at reasonable rates. Standard intraLATA toll service means the service is offered on a stand alone basis without requiring purchase of services other than underlying dial-tone line, that is, without packaging intraLATA toll service with other optional services.

Condition 5

Qwest shall:

(a) Maintain ubiquitous toll network quality;

[1] The Commission reserves the right to include any other information on its website page that it determines is appropriate.

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(b) Reinforce network capacity where and when needed;

(c) Coordinate with connecting LECs, including continuing to perform as the special access control point;

(d) Continue to provide toll operator and directory assistance services to rural carriers in Oregon on a wholesale basis; and

(e) Maintain service quality in compliance with Commission standards.

Condition 6

Qwest shall:

(a) Provide detailed work papers showing total Oregon regulated amounts for the calendar year 2002. The work paper should be in the same detail as the CASS Analysis Report 1, i.e., showing revenues, plant, reserves, expenses and taxes by specific account or Product category.

(b) Provide detailed work papers showing the amounts of revenues, plant, reserves, expenses and taxes associated with the exempt services allocated to nonregulated operations in the same detail as subpart (a) in CARS Report Format.

(c) Provide example of detailed work papers explaining the bases used to allocate one investment and one expense item in subpart (b).

(d) Provide detailed work papers listing the types and cost of services and supplies that Qwest's unregulated toll operations will transfer from the regulated operations.

(e) Provide detailed work papers listing the types and cost of services and supplies that Qwest's regulated operations will transfer from the unregulated toll operations.

(f) Provide an updated intrastate Cost Allocation Manual reflecting the services exempted in this docket.

(g) Provide detailed CAAS/CARS Reports with each annual Form I (beginning with the 2002 annual report) including the same information as provided in subpart (b).

Condition 7

Qwest will not deaverage MTS toll rates without prior Commission approval.

4. Qwest's Operator Services

No change to the status quo – Operator Services to remain regulated by the Commission and Qwest will continue with its present petition to deregulate Operator Services.

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SIGNATURES

1. PUBLIC UTILITY COMMISSION OF OREGON STAFF

By: Michael T. [illegible] Dated: 2/10/03

Its: Attorney

2. QWEST CORPORATION

By: [illegible] Dated: 2/11/2003

Its: Regulatory Director

3. OTHER PARTY: (Company Name) ______________________

By: ______________________ Dated: ______________________

Its: ______________________

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Year	Revenue from Customers of OR ILECs Using L-QC's FGC Toll	B&C Expense Associated with L-QC's FGC Toll in OR
1999	$10,795,829	$2,340,360
2000	$6,555,818	$1,950,063
2001	$4,058,080	$1,569,750
2002	$2,066,384	$1,095,608
2003	$1,492,264	$960,100
2004	$1,148,050	$869,923
2005	$882,209	$819,540
2006	$613,502	$781,438
2007	$450,885	$657,621
2008	$334,656	$644,269
2009	$257,744	$470,890
2010	$290,859	$408,156
2011	$232,934	$408,180
2012	$173,489	$362,801
2013	$153,505	$292,654
2014 (Jan. thru June)	$67,958	$152,556

CERTIFICATE OF SERVICE

UX 28

I hereby certify that on the 13th day of February 2015, I served the foregoing **JOINT TESTIMONY TO ADOPT STIPULATION** in the above entitled docket on the following persons via e-mail transmission at the email addresses shown below. All parties have chosen to waive paper service.

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Dated this 13th day of February 2015.

CenturyLink

Carla

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