

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

In the Matter of the Petition of		PETITION OF
Citizens Telecommunications of Oregon		CITIZENS TELECOMMUNICATIONS
For Exemption under ORS 759.040(4) to		OF OREGON
Continue Regulatory Treatment as a Small		
Telecommunications Utilities		

Citizens Telecommunications of Oregon (dba Frontier Communications) requests a waiver under ORS 759.040 (4) regarding regulatory treatment for affiliate companies under common control with another utility operating in the state of Oregon and requests regulation as a small telecommunications utility under 759.040 (1), (2) and (3), subject to Division 34 rules (OARs) that apply to small utilities with fewer than 50,000 access lines.

I. Introduction

Citizens Telecommunications of Oregon (CTC of OR) obtained its Certificate of Authority in January of 1995 through Citizens Communications' acquisition of Alltel¹, and operates in the state of Oregon as a small telecommunications utility. CTC of OR has approximately 8,000 access lines in southern Oregon and is not geographically connected with the Frontier Northwest exchanges. CTC of OR serves the rural communities of Azalea, Canyonville, Cave Junction, Days Creek, Glendale, Myrtle Creek, O'Brien, Riddle, Selma and Wolf Creek.

In July 2010, Frontier Communications purchased the assets of Verizon Northwest Inc. In Order 10-067 approving the transaction, the Commission required CTC of Oregon to continue operating as a separate legal entity.² Although the regulatory treatment of CTC of Oregon was

¹ Order 95-568

² Order 10-067, Appendix A, Condition number 4.

discussed during the review of UM 1431, the Commission did not include a condition requiring CTC of Oregon to be treated as a large telecommunications utility. As such, CTC of Oregon maintains and files its own separate tariffs and accounting records. During the period between July 2010 and May 2015, CTC of Oregon continued to submit regulatory filings under the Division 34 rules that apply to small utilities. In May 2015, as a result of a routine promotional filing, Staff advised CTC of OR that they believed CTC of OR should not be defined as a small company because of its affiliation with Frontier Northwest Inc. under ORS 759.040. After discussion with Staff, Frontier has chosen to seek a waiver under ORS 759.040(4) in order to provide some immediate certainty for CTC of Oregon and its customers.

II. Difference in Regulatory Treatment

Small ILECs with fewer than 50,000 access lines are exempt from certain statutes per ORS 759.040 (1), (2), and (3), and are subject to different rules regarding rate regulation under OAR 860-034-0310. 759.040 (1) exempts small telecommunications utilities from 759.180-759.190 and 759.040 (2) exempts small telecommunications utilities from 759.375-759.393. Subsection (3) exempts small ILECs from ORS 759.300–759.360. Likewise, small ILECs like CTC of OR, who are affiliated with another public utility providing service in Oregon, are eligible to petition for a waiver from all of the aforementioned statutes pursuant to 759.040(4).³ In lieu of conducting a general rate investigation, the Division 34 rules allow small companies upwards

³ Subsection (4) of § 759.040 states: “Upon petition by any telecommunications utility serving fewer than 50,000 access lines in Oregon and affiliated or under common control with another public utility providing service in Oregon, and a finding that such action is consistent with the public interest, the commission by order may exempt such telecommunications utility from:

- (a) ORS 759.180 to 759.190.
- (b) ORS 759.375 to 759.393.
- (c) ORS 759.300 to 759.360.

rate flexibility; however, rate increases are subject to very detailed notification rules that include a 45-day notification showing how much each rate will change and by what percentage.

Customers are directed to contact the PUC Consumer Division if they wish to protest a rate increase. If more than 10% of customers file a protest, the rate change may be suspended for investigation. In addition, small companies have more flexibility on promotions and are not required to adhere to the length of promotion requirements in OAR 860-026-000 through 860-025-0025 (Filing of Proposed Promotional Concessions).

III. Legislative Authority Delegated to the Commission

ORS § 759.040 grants the Commission broad authority to waive the application of a number of statutes, upon a finding that the petition is consistent with the public interest. The Commission has exercised similar authority since at least 1989.⁴ Petitioners assert that such a waiver is consistent with the public interest for the reasons set out below.

IV. Approving the Waiver is in the Public Interest

759.040(4) allows the Commission to grant a waiver to any telecommunications utility with fewer than 50,000 access lines and affiliated with or under common control with another public utility if it is deemed to be consistent with the public interest. Allowing CTC of Oregon to be regulated as a small company would meet the public interest standard by 1) providing adequate customer protection through the notice requirement and the 10% protest threshold contained in section 34 and 2) providing the simplified regulation contemplated in ORS 759.040 to CTC of Oregon, a utility with only 8,000 access lines.. In the event of a rate increase, customers are provided written notice 45 days in advance of the rate change and have the opportunity to petition the Commission to investigate the rate increase. Customers have become


⁴ See e.g., Commission Order 89-662, entered May 18, 1989.

accustomed to the “small company” regulatory process since Citizens purchased the 10 exchanges from Alltel in 1995. Although CTC of Oregon has changed rates two times during that period, the 10% threshold has never been met. As a result, CTC of Oregon has received the pricing flexibility it has required without the need to utilize either Staff or CTC of Oregon resources to process a general rate case. . As a separate legal entity, CTC of Oregon will continue to keep separate books and records and file separate reports with the Commission. At some time in the future, the company may either submit a filing to bring CTC of Oregon under a Price Plan or merge CTC of Oregon with Frontier Communications Northwest Inc., but has no current plans to do so.

V. Conclusion

Since 1995 (twenty years) CTC of Oregon has operated as a small telecommunications utility, including the last five years that it has been affiliated with Frontier Communications Northwest Inc. and under the control of Frontier Communications. ORS 759.040(4) allows the Commission to exempt utilities that serve fewer than 50,000 access lines and are affiliated or under common control with another Oregon utility from certain statutes that apply to large telecommunications utilities. Granting the waiver to allow CTC of Oregon to be regulated as a small telecommunications utility pursuant to ORS 759.040 allows certainty and protection for both customers and the company with a clear set of requirements that protect the customer in terms of notice of rate increases. It will also allow for rate flexibility without requiring a full rate case proceeding, which simplifies regulation for CTC of Oregon and its customers as well as the PUC. We respectfully request that the Commission grant this petition for waiver.

Respectfully submitted this 7th day of August 2015

A handwritten signature in black ink that reads "Renee M. Willer". The signature is written in a cursive style with a prominent loop at the end of the last name.

By: _____

Renee M. Willer
State Regulatory Manager
Frontier Communications Northwest Inc.



August 7, 2015

PUC Filing Center
P.O. Box 1088
Salem, OR 97308-1088

RE: Citizens Telecommunications of Oregon Petition for Waiver

Dear Filing Center,

Please find enclosed Citizens Telecommunications Petition for Waiver. Hard copies to be sent via U.S. Mail today.

Please contact me at (503) 645-7909 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Renee M. Willer".

Renee Willer
Regulatory Manager
Frontier Communications Northwest Inc.
renee.willer@ftr.com

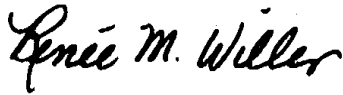
CERTIFICATE OF SERVICE

I certify that on the 7th day August, 2015, I served the foregoing Petition of Citizens Telecommunications of Oregon to the Oregon PUC Filing Center via electronic and U.S. Mail.

Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148
puc.filingcenter@state.or.us

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Dated this 7th day of August, 2015



Renee Willer
State Regulatory Manager – Frontier Communications