



CARLA M. BUTLER

August 1, 2014

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

RE: UM 1354 – Price Plan

Dear Filing Center:

Enclosed for filing in the above entitled docket please find an original and five copies of the following:

- 1) Joint Parties Testimony;
- 2) Witness Qualification Statements for Bob Jenks (CUB), John M. Felz (CenturyLink), and Bruce Hellebuyck (PUC); and
- 3) Stipulation with Price Plan as Exhibit A.

Also enclosed is a certificate of service.

If you have any questions, please contact me at your earliest convenience.

Sincerely,

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

Carla M. Butler  
Paralegal

Enclosures  
cc: Service List

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**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

**UM 1354**

In the Matter of the Petition of QWEST  
CORPORATION d/b/a CenturyLink QC for  
Approval of Price Plan Pursuant to ORS  
759.255

Joint Parties Testimony

**I. INTRODUCTION**

1 **Q. Please state your names and positions.**

2 A. My name is John Felz. I am the Director of Regulatory Operations for  
3 CenturyLink, including Qwest Corporation d/b/a CenturyLink QC (“CenturyLink QC”  
4 or “the Company”). My witness qualifications statement is included as an attachment  
5 to this testimony.

6 My name is Bruce Hellebuyck. I am Program Manager, Retail Telecom & Water  
7 Regulation Section of the Public Utility Commission of Oregon. My witness  
8 qualifications statement is included as an attachment to this testimony.

1 My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board  
2 of Oregon ("CUB"). My witness qualifications statement is included as an attachment  
3 to this testimony.

4 **Q. What is the purpose of your joint testimony?**

5 A. The purpose of the joint testimony is to describe and support the stipulation  
6 ("Stipulation") amongst CenturyLink QC, Staff of the Public Utility Commission of  
7 Oregon ("Staff"), CUB, Integra Telecom of Oregon, Inc. and its affiliates ("Integra"), and  
8 the Telecommunications Ratepayers Association for Cost-based and Equitable Rates  
9 ("TRACER"). Parties to the Stipulation (or the "Joint Parties") file this joint testimony.  
10 Docket UM 1354 was opened to consider CenturyLink QC's Petition for Approval of a  
11 Price Plan Pursuant to ORS 759.255, as amended on January 23, 2014. The term  
12 "Petition" as used in the Stipulation and in this joint testimony refers to CenturyLink's  
13 petition for approval of the price plan in the form attached to the Stipulation as Exhibit  
14 A (the "Price Plan" or "Plan").

15 **Q. Are Integra or TRACER sponsors of this testimony?**

16 A. No. Integra and TRACER took positions on only a limited number of issues. To  
17 the extent Integra and TRACER did not take a position on an issue, they do not object to  
18 its inclusion in the Stipulation.<sup>1</sup>

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<sup>1</sup> Stipulation, ¶ 2.

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

3 A. Yes. CenturyLink QC, Staff, and CUB support the Stipulation and the Price Plan  
4 and agree that the Commission should expeditiously issue an order approving the  
5 Petition, the Stipulation, and the Price Plan.

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

9 A. Yes.

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

12 A. Yes, paragraph 11 of the Stipulation states that if the Commission rejects all or  
13 any material part of this Stipulation or the Price Plan, or imposes additional material  
14 conditions in approving the Stipulation and the Price Plan, any Party disadvantaged by  
15 such action shall have the right, upon written notice to the Commission and all other  
16 Parties within 15 business days of the Commission's order, to withdraw from this  
17 Stipulation or seek reconsideration or appeal of the Commission's order, or both.  
18 However, prior to withdrawal, the Party shall engage in good faith negotiation with the  
19 other Joint Parties. No Party withdrawing from this Stipulation shall be bound to any  
20 position, commitment, or condition of this Stipulation.

1 **Q. What other terms does the Stipulation include?**

2 A. The Stipulation represents negotiated compromises among the Parties. Thus, the  
3 Parties agree in paragraph 12 of the Stipulation that no Party will be deemed to have  
4 approved, admitted, or consented to the facts, principles, methods, or theories  
5 employed by any other Party in arriving at the terms of this Stipulation, other than as  
6 specifically identified in this Stipulation. No Party shall be deemed to have agreed that  
7 any provision of this Stipulation is appropriate for resolving issues in any other  
8 proceeding, except as expressly identified in the Stipulation.

9 **Q. How is your testimony organized?**

10 A. The testimony is organized as follows:

- 11 I. Procedural History;
- 12 II. A description of the driving forces that led to CenturyLink QC's request  
13 for a Price Plan under ORS 759.255;
- 14 III. A brief overview of the Price Plan's key terms and conditions;
- 15 IV. A detailed discussion of how the Price Plan meets the ORS 759.255  
16 statutory criteria as required for the Commission to grant the petition; and
- 17 V. CenturyLink QC, Staff and CUB Recommendation

18

1 **I. PROCEDURAL HISTORY**

2 **Q. What is the procedural history in this docket?**

3 A. The Commission adopted CenturyLink QC's current price plan on August 8,  
4 2008, in Order No. 08-408 ("Current Price Plan"). On November 13, 2012, CenturyLink  
5 QC filed its Price Plan Performance Report, in accordance with the Current Price Plan.  
6 CenturyLink QC filed to revise the Current Price Plan on May 3, 2013. After several  
7 rounds of settlement discussions, CenturyLink QC amended its Petition for Revision of  
8 Price Plan on July 3, 2013, September 12, 2013 and January 23, 2014 ("Amended  
9 Petition").

10 ALJ Kirkpatrick presided over a prehearing conference on February 26, 2014, and  
11 adopted a schedule for the proceeding the same day. The Joint Parties subsequently  
12 exchanged proposals to reach a settlement of the issues in the case and participated in a  
13 workshop on June 12, 2014, to discuss those proposals. This workshop was noticed and  
14 open to all parties to the docket. The Stipulation is a product of that discussion.

15

16 **II. FORCES DRIVING CENTURYLINK QC'S REQUEST FOR A PRICE PLAN**

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

18 A. CenturyLink QC asserts that it is seeking to modify the Current Price Plan to  
19 provide it "additional regulatory flexibility to meet the intense and increasing  
20 competition CenturyLink QC is facing in its retail markets," [Amended Petition, at p. 1],

1 so that it can compete in the marketplace with services that are provided by (1)  
2 traditional facilities-based carriers, including cable telephony providers Comcast and  
3 Charter Communications, (2) CLECS, such as Level 3, Integra, XO Communications,  
4 AT&T, tw telecom and Verizon Business, and (3) intermodal competitors that provide  
5 comparable services, including wireless companies, and VoIP providers. *See* Amended  
6 Petition, at p. 4-5. In addition, CenturyLink QC asserts that “[t]he data shows that in  
7 most cases, CenturyLink QC’s rural customers have more than one wireless carrier to  
8 choose from” and that more and more customers are relying on email, texting, and  
9 social networking to meet their communications needs. *Id.*, at p. 5. Furthermore,  
10 CenturyLink QC asserts that “access lines have declined by 40.3%” since 2008 and at the  
11 same time that “population, the number of households, and telecommunications  
12 expenditures in Oregon have increased, CenturyLink QC’s revenues have decreased.”  
13 *Id.* CenturyLink QC also explains that “possibly the most telling statistic is that while  
14 telephone subscribership has remained steady in Oregon, CenturyLink QC access lines  
15 have declined, which shows that customers are exercising their wide array of choices in  
16 CenturyLink QC’s markets.” *Id.*

17 **Q. Do all of the parties agree with CenturyLink QC’s assertions regarding the**  
18 **competitive landscape?**

19 A. No. No party has taken a position on whether the claims regarding CenturyLink  
20 QC’s competitive landscape in Oregon are valid. The Stipulation was a compromise by

1 all parties to obtain settlement. Only issues affirmatively agreed to by all parties in the  
2 Stipulation represent joint positions. Notwithstanding the above, CenturyLink QC,  
3 Staff and CUB agree that approval of the Price Plan is in the public interest and has met  
4 the standards for review required under ORS 759.255(2). CenturyLink QC, Staff and  
5 CUB recommend that the Commission approve the Stipulation and the Price Plan.

6

### 7 **III. OVERVIEW OF THE PRICE PLAN'S KEY TERMS AND CONDITIONS**

8 **Q. Please describe the major considerations which caused CenturyLink QC, Staff**  
9 **and CUB to conclude that the Plan is in the public interest.**

10 A. The Plan provides a sensible regulatory framework to address uncertainties in  
11 the continuing transition from a period of less competition to a period where  
12 competition may, as CenturyLink QC asserts, in fact, turn out to be very robust. The  
13 Plan provides opportunities and safeguards for both pricing and service quality over  
14 the range of potential competitive landscapes, and provides benefits to customers  
15 through additional network investments.

16 If competition does indeed turn out to be very robust, the Plan will allow  
17 customers to realize the benefits of that competition through lower prices and the  
18 availability of new services. Customers should also experience a high level of service  
19 quality because CenturyLink QC will need to provide that to remain competitive in a



1 competitive environment. There is nothing in the Plan that would detract from the  
2 benefits customers would receive in a highly competitive environment.

3 If competition is less robust than CenturyLink QC's predicts, either overall or in  
4 certain areas, the Plan should provide pricing safeguards to ensure just and reasonable  
5 prices and service quality safeguards to ensure customers continue to receive high  
6 quality service.

7 Finally, the Plan also takes steps to reduce the cost and burden of regulation  
8 while maintaining sufficient regulatory "infrastructure" necessary for the Commission  
9 to intervene should it become clear the Plan, as currently configured, may not meet the  
10 public interest standard in the future.

11 **Q. Please describe the major pricing features of the Price Plan.**

12 A. The Price Plan, which is an alternative form of regulation, provides CenturyLink  
13 QC with significant pricing flexibility, enabling the Company to price its services to  
14 help it better compete in the market.

15 The Plan affords CenturyLink QC significant pricing flexibility for its main  
16 phone service offering – Packages and Bundles. Packages and Bundles for both the  
17 residential and business markets have no specific caps<sup>2</sup> on rates under the Plan, but still  
18 protect customers by not allowing the total price of such bundles to be more than the

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<sup>2</sup> "no specific caps" means that there is no specific dollar amount associated with the "caps" to some services, such as "Other Services," that may be contained within the Packages or Bundles.

1 sum of the retail price of all services available in the package or bundle. *See*  
2 Attachment A, Section O.

3 In addition, CenturyLink QC has the ability to increase its primary line basic  
4 residential service rates \$2.00 upon the effective date of the Plan, and it may increase  
5 rates an additional \$1.00 at the beginning of year two. Recurring rates for primary line  
6 basic business services will not be subject to caps upon approval of the Plan, but  
7 enhanced customer notification of increases is required in certain circumstances. *Id.*, at  
8 Section B.1.

9 Rates for business services ISDN-PRI and DS-1 will not be subject to caps, but  
10 enhanced customer notification of increases is required in certain circumstances. *Id.*, at  
11 Section F. In the "Other Services" category, which includes most calling features, rates  
12 for business services will not be subject to caps. Rates for residential services may  
13 increase up to 50 percent or \$.50, annually, whichever is greater and the cumulative  
14 price increase over the term of the Price Plan is not to exceed 200 percent for residential  
15 customers. *Id.*, at Section H.

16 A limited number of services are capped at pre-plan rates, and most of these are  
17 related to safety concerns. E911, toll restriction, call-trace, and unlisted number services  
18 are capped at pre-plan rates. Rates for extended area service (EAS) are also capped at  
19 pre-plan rates. *Id.*, at Section E.

20 **Q. How are Directory Listings treated under the Plan?**

1 A. The first directory listing for a single address is included as part of the service,  
2 including those within Packages and Bundles. The second and any other additional  
3 listings will be subject to the "Other Services" rate cap. *Id.*, at Section L.

4 **Q. Please describe the main service quality components of the Price Plan.**

5 A. Under the Plan, CenturyLink QC will continue to be subject to the Retail  
6 Telecommunication Service Standards for Large Telecommunication Utilities identified  
7 in OAR 860-023-0055. Under those standards, CenturyLink QC will continue to report  
8 results monthly. The Plan contains the proviso that:

9 1) the performance plan leniency contained in section V.B.1 of the price plan  
10 adopted in Order No. 08-408 (the "Current Plan") will not be present in the Plan  
11 and

12 2) CenturyLink QC will be able to seek an exemption from its current service  
13 quality reporting requirements pursuant to OAR 860-023-0055(15)(c) in the new  
14 plan (i.e., the agreement not to do so in II.B.3 of the Current Plan will not be  
15 present in the Plan).

16 **Q. Please describe the specific commitments in the Plan.**

17 A. The Plan does not include immediate implementation of the service performance  
18 guarantee that was included in the Current Plan. The performance guarantee will be  
19 reinstated if results do not meet certain criteria and, if reinstated, can be removed again  
20 under certain conditions. *Id.*, at Section T.a. There are also network and other

1 investment commitments in the Plan, which serve to provide public interest benefits to  
2 CenturyLink's customers throughout the state.

3 **Q. Please describe those commitments.**

4 A. In order to confer additional public benefits, the Plan contains three specific  
5 projects:

- 6 • CenturyLink's portion of the South Oregon Coast Diversity Project at an  
7 estimated cost of \$150,000 which will provide route diversity and a public  
8 safety benefit to customers in that region;
- 9 • The Hood River Gorge Diverse Route Fiber Ring. This is a fiber ring  
10 CenturyLink intends to construct to establish route diversity to the Hood  
11 River, Columbia Gorge and Mount Hood areas, which will also provide  
12 diversity for legacy CenturyTel and United Internet connections statewide  
13 and 911 SS7 link redundancy for legacy CenturyTel and United customers  
14 in the Hood River, Columbia Gorge and Mount Hood areas. The  
15 estimated equipment cost for this project is \$500,000; and
- 16 • If CenturyLink completes the projects above, and the project actual costs  
17 are less than the estimated \$650,000, CenturyLink will complete additional  
18 projects as identified in the Plan or will work with the Staff and CUB to  
19 identify new projects to reach the \$650,000.

1 **Q. Please describe the term of the Plan and the conditions for review of**  
2 **CenturyLink's performance under the Price Plan.**

3 A. The term of CenturyLink QC's Price Plan is three years with CenturyLink QC  
4 having the option of extending the Plan by an additional (fourth) year. CenturyLink  
5 QC, at the end of year two, "will notify the Commission of its intent to extend the Plan  
6 for a fourth year or petition the Commission seeking 1) a new price plan; 2)  
7 modification to the existing Price Plan; or 3) any other form of regulation that may be  
8 applicable." *Id.*, at Section V.

9 **Q. Does the Plan include reporting requirements?**

10 A. Yes. The Company will file a report comparing its performance to the objectives  
11 of the Plan by the 90<sup>th</sup> day of the third year of operation under the plan. The report will  
12 review how the objectives of the plan are being met and will include the following  
13 information: an analysis of current market conditions for the various categories of  
14 CenturyLink QC's regulated retail telecommunications services, data regarding the gain  
15 or loss of access lines by wire center, a discussion of how the pricing flexibility allowed  
16 CenturyLink QC to meet the Plan's objectives, identification of any new services that  
17 CenturyLink QC has introduced, and identification of any ways in which the burden of  
18 regulation for both CenturyLink QC and the Commission has been simplified or  
19 reduced.

20 **Q. Does the Commission have the authority to modify the Plan?**

1 A. Yes, as part of the review process the Commission may open an investigation at  
2 any time pursuant to ORS 756.515 to determine whether further adjustments to the  
3 price plan or termination of the price plan is required by the public interest, according  
4 to the factors set forth in ORS 759.255(2). The Commission may order further  
5 adjustments to the price plan or termination of the price plan only after providing  
6 CenturyLink QC notice and an opportunity for hearing. In any such investigation and  
7 proceeding, the Commission should first attempt to identify and require adjustments to  
8 the price plan such that the continuation of the price plan is in the public interest before  
9 it orders termination of the price plan.

10 **Q. Please generally describe the waivers of statutes and rules contained in the**  
11 **Plan.**

12 A. As outlined in Section U of the Plan, the Plan provides for the waiver – in whole  
13 or in part – of certain statutes and rules. ORS 759.255(5) provides the Commission  
14 flexibility in waiving several of the statutes listed. In other instances, these statutes and  
15 rules involve the reporting of information by CenturyLink QC that would no longer be  
16 useful to either the Commission or to CenturyLink QC and that simply represents a  
17 continuing and unnecessary administrative burden for both parties.

18 **Q. How are the concerns of Integra addressed in the Plan?**

1 A. Integra’s concerns were limited to a few specific issues: Commission authority  
2 over mergers and acquisitions, impacts of the privilege tax waiver, and service quality.<sup>3</sup>  
3 The Plan under the Stipulation retains Commission authority over mergers and  
4 acquisitions, retains service quality standards and reporting, and does not contain a  
5 waiver of the 4% privilege taxes rule.

6 In addition, CenturyLink QC acknowledges that Commission approval of the  
7 Price Plan in this docket shall not in any way impact its continuing obligations under  
8 existing interconnection agreements and shall not in any way impact its continuing  
9 obligations under Sections 251 and 252 of the Telecommunications Act of 1996, 47  
10 U.S.C. 251-252, nor any federal or state regulations, orders or rules promulgated under  
11 such statutes, nor any federal rules or orders promulgated under any section of the  
12 Federal Communications Act of 1934 (the “Communications Act”), as amended.

13 **Q. How are the concerns of TRACER addressed in the Plan?**

14 A. TRACER was concerned with both the rates which would be paid by its member  
15 customers as well as the length of time required for those customers to change  
16 providers should they choose another provider in response to a CenturyLink QC price  
17 change. The requirement to maintain the statewide average prices for services helps to  
18 address TRACER’s concerns regarding pricing. The requirement for a six month

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<sup>3</sup> Integra/200, Denney/5-7.

1 notification prior to a significant rate changes help to address TRACER's concerns  
2 regarding the lead time required for their customers to choose alternate suppliers.

3 **IV. THE PRICE PLAN MEETS THE REQUIREMENTS OF ORS 759.255.**

4 **Q. What is the standard that governs the Commission's decision to approve this**  
5 **price plan?**

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

- 11 a) Ensures rates for telecommunications services that are just and reasonable;
- 12 b) Ensures high quality of existing telecommunications services, and makes  
13 new services available;
- 14 c) Maintains the appropriate balance between the need for regulation and  
15 competition; and
- 16 d) Simplifies regulation.

17 **Q. How can the Commission be assured that each of these criteria are satisfied in**  
18 **the Plan as it is proposed?**

19 A. The Joint Parties have carefully considered each of the statutory public interest  
20 criteria and are comfortable that the attributes of the Plan support a finding that the



1 Plan is in the public interest. The following is a discussion of how the Plan meets each  
2 of the four criteria.

3 **Criteria A – The Plan Ensures Just and Reasonable Rates**

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

6 A. The Plan ensures that CenturyLink QC's retail prices addressed by the Plan will  
7 be just and reasonable because: 1) the Commission has already approved most of the  
8 initial Plan prices as being just and reasonable; 2) a combination of price caps and other  
9 pricing requirements, including enhanced customer notification periods and statewide  
10 average rates, will ensure reasonable price changes; 3) the combination of the pricing  
11 requirements in the Plan and the market will provide a restraint on upward pricing,  
12 and 4) the Commission may open an investigation at any time to determine whether  
13 further adjustments or termination of the Plan is necessary to ensure the public interest  
14 standard is met for all the criteria in ORS 759.255, including the provision regarding just  
15 and reasonable prices.

16 **1. Initial Plan prices are just and reasonable**

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

18 A. The initial prices will be the prices charged by CenturyLink QC in Oregon  
19 pursuant to its tariff or price list that were approved by the Commission prior to the

1 effective date of this Price Plan (“pre-Plan rates”), which the Commission has already  
2 deemed just and reasonable.

3 **2. Price caps and other requirements will result in just and reasonable**  
4 **prices under the Plan.**

5  
6 **Q. Please describe the price caps contained in the Plan.**

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

8 1. Capped at Pre-Plan Rates – These represent items for which the pricing  
9 cannot be increased during the term of the price plan.

10 2. Subject to Specific Cap – These are items with rates that are allowed to  
11 increase at a level specified in the Plan.

12 3. “Sum of the Piece Parts” Protection – This item is comprised of the  
13 Company’s Packages and Bundles. Prices for Packages and Bundles may  
14 not exceed the prices of the component services offered through the  
15 bundle.

16 **Q. Which prices are capped at pre-plan rates under the plan?**

17 A. The prices for EAS, toll restriction, call trace (\*59), unlisted numbers, and  
18 intrastate switched access are capped at pre-plan rates through the term of the Plan.  
19 Staff and CUB believe that customers who subscribe to only a single line service and use  
20 limited or no calling features or no or limited long distance service may have fewer  
21 competitive alternatives than customers who use many features and/or make extensive  
22 use of long distance service. The Plan addresses Staff’s and CUB’s concerns by capping

1 the EAS rates at pre-Plan levels. Toll restriction, call trace (\*59), and unlisted numbers  
2 are capped in recognition of the public safety and privacy issues associated with these  
3 services. Finally, switched access is capped at pre-plan rates because it represents a  
4 wholesale service fundamental to competition in the switched long distance service  
5 market.

6 **Q. Which prices are subject to a specific price caps?**

7 A. Specific caps are provided for 1) residential primary line basic service and 2)  
8 Other Services for residential customers.

9 As discussed above, Staff and CUB believe that certain customers who subscribe  
10 to only a single line service and use limited or no calling features or no or limited long  
11 distance service may have fewer competitive alternatives than customers who use many  
12 features and/or make extensive use of long distance service. Those customers' interests  
13 are addressed by caps on the prices for residential primary line basic service.<sup>4</sup> The  
14 Company may increase this residential price by \$2 per month on the effective date of  
15 the Plan, and by another \$1 per month in year two of the Plan. The Company may  
16 petition the Commission to remove this price cap but will have the burden of showing  
17 that the removal or adjustment of the price cap is in the public interest under ORS  
18 759.255(2). No party to the Stipulation agrees at this time to support such a petition.

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<sup>4</sup> CUB takes no position on price caps with regard to business customers.

1           The Plan also limits increases to the non-recurring residential primary line basic  
2 service charge increase to \$10 during the term of the Plan.

3           Prices for Other Services are not subject to a specific cap, but are subject to  
4 maximum increases. Monthly rates for residential customers may increase up to 50  
5 percent or \$.50, annually, whichever is greater. The cumulative price increase over the  
6 term of the Price Plan is not to exceed 200 percent for residential customers. Within 60  
7 days of receiving notice of price increase to "Other Services," business and residential  
8 customers who request removal of any service contained in "Other Services" will not  
9 incur a non-recurring charge for the removal of the service.

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

11 A. This protection is afforded customers of Packages and Bundles. Staff and CUB  
12 believe that customers who are users of multiple calling features, packages, and other  
13 services may have a greater range of alternatives to choose from. In recognition of those  
14 options, the Plan provides a greater degree of pricing flexibility for these services, but  
15 still provides the assurance that the price will not exceed the sum of prices of the  
16 components. Customers may purchase any regulated telecommunications service  
17 included in a Package or Bundle on a "stand-alone" basis.

18 **Q. Please describe the other pricing requirements present under the Plan.**

19 A. The Plan contains two other specific pricing requirements; 1) enhanced customer  
20 notification and 2) statewide rate averaging.

1 **Q. Which services are subject to enhanced customer notification requirements?**

2 A. Enhanced customer notification requirements apply to 1) the recurring charge for  
3 primary line basic service for business customers and 2) ISDN-PRI and DS-1.

4 As discussed above, certain customers who subscribe to only a single line service  
5 and use limited or no calling features or no or limited long distance service may have  
6 fewer competitive alternatives than customers who use many features and/or make  
7 extensive use of long distance service. The primary line business rate is not capped, but  
8 CenturyLink QC and Staff believe that competition will discipline prices and in the  
9 event prices increase by \$4 per or more during the Plan term, CenturyLink QC is  
10 required to provide 90 days notice to customers of the increase. This will help to  
11 provide sufficient time for customers to seek competitive alternatives if they cannot  
12 tolerate the price increase.

13 Prices for ISDN-PRI and DS-1 are not capped. Many of the business customers  
14 who use this service have access to other alternatives. To ensure customers would not  
15 experience rate shock from price increases, the Plan requires CenturyLink QC to  
16 provide a 6 month notice to affected customers in the event customer rates increase by  
17 either 1) more than 25 percent over the term of the Plan or 2) more than 5 percent in any  
18 rolling twelve month period after the 25 percent threshold has been exceeded. This will  
19 help to provide sufficient time for customers to take advantage of competitive  
20 alternatives if they cannot tolerate a rate increase.

1

2 **Q. Which services are subject to statewide average prices?**

3 A. The Company has agreed to maintain statewide average prices for all services  
4 which are currently priced on a statewide basis. The Company has also agreed not to  
5 further deaverage the rates for its residential and business primary line basic services.

6 For example, if CenturyLink QC were to decrease the price of a service that  
7 currently has a statewide average rate by \$1.00, that same decrease would apply  
8 throughout CenturyLink QC's service territory. Thus, customers in all parts of the state  
9 will benefit from the price-constraining effects of competition that may not be as robust  
10 in one area of the service territory as it is in others. The statewide average rate and  
11 prohibition on further deaveraging will help customers in rural areas by limiting the  
12 level of price increase to the increases the Company imposes on its customers in urban  
13 areas that in some cases are subject to greater competition.

14 **Criteria B – The Plan ensures a high quality of existing telecommunications**  
15 **services, and makes new services available**

16

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

19 A. Yes. One of the objectives of the Plan is that the quality of CenturyLink QC's  
20 retail services will "stay at or above current high levels," and that CenturyLink QC will  
21 meet or exceed the Commission's applicable retail service standards and will continue

1 its current reporting practices as prescribed by OAR 860-023-0055. These reports  
2 provide the Commission with the means to monitor CenturyLink QC's service quality  
3 and compare it with historical performance. If CenturyLink QC is found to be out of  
4 compliance with individual service quality standards, the administrative rule OAR 860-  
5 023-0055(14) provides for the development of a corrective action plan. If such service  
6 problems are not rectified, the Commission can consider modifying or terminating the  
7 Plan.

8 CenturyLink agrees to spend \$650,000 in network improvement investment  
9 comprised of two main projects: \$150,000 will go towards completing CenturyLink 's  
10 portion of the South Oregon Coast Diversity Project and \$500,000 will go towards the  
11 Hood River Gorge Diverse Route Fiber Ring to establish route diversity to the Hood  
12 River, Columbia Gorge and Mount Hood areas, which will also provide diversity for  
13 legacy CenturyTel and United Internet connections statewide and 911 SS7 link  
14 redundancy for legacy CenturyTel and United customers in the Hood River, Columbia  
15 Gorge and Mount Hood areas.

16 The Plan also contains a specific objective that CenturyLink QC will make new  
17 telecommunications services available to Oregon customers. There is no price cap on  
18 any new service, allowing the Company to respond to evolving market competition to  
19 introduce innovative products that will benefit consumers. CenturyLink QC, Staff and

1 CUB believe the Plan will better enable CenturyLink QC to continue to seek  
2 opportunities to deploy new services and capabilities.

3 **Criteria C – The Plan maintains the appropriate balance between the need for**  
4 **regulation and competition**

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

7 A. As discussed earlier in this testimony, CenturyLink QC, Staff and CUB agree that  
8 the Oregon telecommunications market has been changing and evolving, and that for  
9 many customers there may be alternatives to CenturyLink QC's services. In such an  
10 evolving market, alternative forms of regulation may be appropriate. CenturyLink QC,  
11 Staff and CUB agree that the price controls of the Plan provide protections for market  
12 segments that may have fewer options, such as single-line residential customers that  
13 use limited or no features or long distance services. At the same time, the Plan affords  
14 CenturyLink QC greater pricing flexibility in markets where more options are present.

15 The Commission retains oversight over the Company's service quality. The  
16 service quality reporting is the main tool the Commission has to measure the  
17 Company's performance, and thereby ensure a high level of service is provided to  
18 customers. CenturyLink QC, Staff and CUB recognize that, while competition may act  
19 to ensure high quality service to some customers, competition alone may not be  
20 adequate to ensure that customers with fewer choices receive high quality service.



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

3 A. Yes. Sections V and W of the Plan contain various provisions that would enable  
4 the Commission to investigate and take remedial action if it were to find that  
5 CenturyLink QC's service quality had fallen below established standards, or that  
6 competitive forces had not kept CenturyLink QC's retail prices at just and reasonable  
7 levels. The Commission could initiate such investigations at any time. Through these  
8 mechanisms, the Commission would have a clear means to ensure that the Plan is  
9 operating in the public interest and modify or terminate the Plan if it were to determine  
10 that the Plan was no longer operating in the public interest.

11 **Criteria D – Simplifies Regulation**

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

14 A. Yes. As described earlier, Section U of the Plan provides for the waiver – in  
15 whole or in part – of certain statutes and rules. In many instances, these statutes and  
16 rules involve the reporting of information by CenturyLink QC that would no longer be  
17 useful to either the Commission or to CenturyLink QC and that simply represents a  
18 continuing and unnecessary administrative burden for both parties.

19 **Q. Does the Commission have the authority to waive these specific rules?**

1 A. Yes, OAR 860-022-0000(2) and OAR 860-027-0000(2) allow the Commission upon  
2 request or its own motion to waive any of the division 22 or 27 rules for good cause  
3 shown.

4 **Q. Does ORS 759.255 provide for the waiver of any statutory requirements?**

5 A. Yes, Under ORS 759.255(5), the Commission may, if it approves a plan under  
6 ORS 759.255(1), waive, in whole or in part, a telecommunications utility's compliance  
7 with the following statutes: ORS 759.120 (accounting requirements); ORS 759.125  
8 (accounts and records); ORS 759.130 (accounts, balance sheets and audits); ORS 759.135  
9 (depreciation accounts); ORS 759.180 to ORS 759.205 (hearing on reasonableness of  
10 rates, promotions, suspension of rates, notice of schedule changes, price listing,  
11 amortizations, and filed rates); ORS 759.215 (public access to schedules); ORS 759.220  
12 (joint rates and classifications); ORS 759.285 (charging rates based on cost of property  
13 not presently providing service); and ORS 759.300 to ORS 759.393 (issuance of securities  
14 and use of proceeds, transactions of utilities).

15 **Q. Does the Plan include Commission waiver of any of these statutes?**

16 A. Yes, the Plan would waive, either in whole or in part, CenturyLink QC's  
17 compliance with each of these statutes, with the following exceptions: 1) ORS 759.130,  
18 which requires the filing of a year-end balance sheet; 2) ORS 759.182, which allows  
19 CenturyLink QC to offer service promotions; 3) ORS 759.205, which requires  
20 CenturyLink QC to charge for its services according to a published rate schedule; 4)

1 ORS 759.215(1) , which requires CenturyLink QC to make its rate schedule available to  
2 the public; and 5) ORS 759.375-380, which requires Commission approval over  
3 CenturyLink QC mergers and acquisitions of other utility properties.

4 Partial waivers are granted for Condition #11 in Commission Order 11-095  
5 (appendix A) in Docket UM 1484 imposing as a condition of approval of the merger a  
6 requirement that CenturyLink QC annually submit Form O and Form I. CenturyLink  
7 QC will submit a Form I every three years (next report due 2016). No waiver of annual  
8 requirement for Form O. CenturyLink QC is not required to provide regional  
9 information in the Form O, and will only be required to provide Oregon-specific  
10 information in the Form O. CenturyLink QC is not required to file certain schedules in  
11 the annual Form O, as set forth in the Plan.

12 **Q. Please provide a brief description of the statutes that would be waived, and**  
13 **explain the rationale for their full or partial waiver.**

14 A. To the extent allowed by Condition #11 in Commission Order 11-095 (appendix  
15 A) in Docket UM 1484, the partial waiver of ORS 759.120, ORS 759.125, (accounting  
16 requirements, accounts and records) and the full waiver of ORS 759.135 (depreciation  
17 accounts), reduces the Company's regulatory burden to submitting the Form O on an  
18 annual basis.

19 Finally, several statutes relate to how a company must operate under rate-of-  
20 return regulation. For example, ORS 759.200 specifies how amortizations of capital

1 investments must be accounted for in telecommunications rates. Because retail service  
2 prices under the Plan are not established under a rate-of-return regulatory regime, this  
3 statute may not be relevant to the manner in which rates are set. Several statutes fall  
4 into this same general category, including: ORS 759.200 (amortizations), ORS 759.285  
5 (charging rates based on cost of property not presently providing service), and ORS  
6 759.300 through ORS 759.360 (issuance of securities).

7 **Q. Please explain why the Commission should waive, in whole or in part, the**  
8 **rules identified in Section U.2. of the Plan.**

9 A. As previously discussed regarding waiver of certain statutes, certain Oregon  
10 Administrative Rules are inconsistent (in whole or in part) with the regulation of  
11 services under this Price Plan. These rules are:

- 12 • OAR 860-022-0025(2)(b) and (c) - Requirements for filing Tariffs or Schedules  
13 Changing Rates.
- 14 • OAR 860-022-0030 - Requirements for Filing Tariffs or Schedules Naming  
15 Increased Rates
- 16 • OAR 860-027-0015 – New Construction Budget
- 17 • OAR 860-027-0050 – Uniform System of Accounts for Large Telecommunications  
18 Utilities.
- 19 • OAR 860-027-0052 – Allocation of Costs by a Large Telecommunications Utility.
- 20 • OAR 860-027-0100 – Reporting of Affiliated Transactions

1 V. RECOMMENDATION

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

4 A. CenturyLink QC, Staff and CUB recommend that the Commission issue an Order  
5 approving the Stipulation and the Price Plan as soon as possible.

6 Q. Does this conclude your joint testimony?

7 A. Yes.

**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

DOCKET NO UM 1354

**WITNESS QUALIFICATION STATEMENT**

NAME: John M. Felz

EMPLOYER: CenturyLink

TITLE: Director – State Regulatory Operations

ADDRESS: 5454 W. 110<sup>th</sup> Street  
Overland Park, KS 66211

EDUCATION: B.S.B.A. in Accounting – Rockhurst University  
Kansas City, Missouri  
MBA with emphasis in Finance – Rockhurst University

EXPERIENCE: I began my career with Sprint as an internal auditor in 1979 and assumed increasing levels of responsibility in that department, including positions as Senior Auditor, Audit Manager and Assistant Director. From 1986 to 1988, I was Revenue Accounting Manager for Sprint's Midwest Group of local telephone companies with responsibility for billing approximately 500,000 customers in six states. In 1988, I was named to the position of Financial Budget Manager and had responsibility for preparing and managing the budget for Sprint's Midwest Group of local telephone companies. From 1991 to 1996, in the position of Revenue Planning Manager, I was responsible for regulatory and tariff issues for Sprint's local telephone operations in Kansas. From 1996 to 1998, I held the position of Senior Manager - Wholesale Markets with responsibility for negotiating and implementing interconnection agreements with competitive local exchange carriers and wireless providers. From January 1998 through May 2006, I held the position of Director – State Regulatory for Sprint and provided state regulatory support for Sprint's local, long distance and wireless operations in several assigned states. In May 2006, I assumed the position of Director – State Regulatory for Embarq, a new company formed by the spin-off of Sprint's local telephone operations. In 2009, Embarq was acquired by CenturyLink and I was named to my current position as Director - State Regulatory Operations. In this position, I have responsibility for development and implementation of regulatory policies for CenturyLink's operations in a number of states, including Oregon.

DOCKET NO UM 1354

**WITNESS QUALIFICATION STATEMENT**

NAME: Bruce Hellebuyck

EMPLOYER: PUBLIC UTILITY COMMISSION OF OREGON

TITLE: Program Manager,  
Retail Telecom & Water Regulation

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

EDUCATION: B.S. in Accountancy from the University of Illinois  
Champaign / Urbana, Illinois.

EXPERIENCE: While at the OPUC, I have overseen Staff's work on three price plan filings and have also worked on filings related to special contracts, promotional concessions, tariff changes, price list changes, and numbering issues.

I worked at PacifiCorp, a large northwest electric utility, primarily in the regulatory group, for over twenty years. I held roles of varying responsibility including Director of Economic Regulation and Regulatory Policy Director. In those roles I oversaw a number of regulatory projects. I have sponsored testimony before state regulatory commissions in Oregon, California, Washington, Wyoming, and Montana regarding a wide variety of issues including resource acquisition, cost recovery, industry restructuring, and mergers.



**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**UM 1354**

In the Matter of

QWEST CORPORATION,

Petition for Approval of Price Plan  
Pursuant to ORS 759.255.

STIPULATION

This Stipulation is entered into for the purpose of resolving all issues in this proceeding by and among the parties as set forth below.

**PARTIES**

1. The parties to this Stipulation (the "Stipulation") are Qwest Corporation, d/b/a CenturyLink QC ("CenturyLink QC"), Public Utility Commission of Oregon Staff ("Staff"), Citizens' Utilities Board of Oregon ("CUB"), Integra Telecom of Oregon, Inc. and its affiliates ("Integra"), and the Telecommunications Ratepayers Association for Cost-based and Equitable Rates ("TRACER").<sup>1</sup> The parties may be referred to hereafter collectively as the "Joint Parties" or individually as a "Party." This Stipulation will be made available to other parties to this docket, who may participate by signing and filing a copy of this Stipulation.

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<sup>1</sup> In addition, the ALJ Kirkpatrick granted the petition to intervene of the League of Oregon Cities ("League") on January 26, 2014. However, the League does not oppose this Stipulation.

2. The Joint Parties agree, or do not object, that approval of the stipulated price plan attached hereto as Exhibit A (the "Price Plan") and this Stipulation satisfies the public interest standard in ORS 759.255 and that the Public Utility Commission of Oregon (the "Commission") should issue an order approving this Stipulation and the Price Plan. A Party may not have taken a position on each issue in the Price Plan. To the extent that a party did not take a position on an individual issue, the Party does not object to that the terms related to that issue in the Price Plan.

### **BACKGROUND**

3. The Commission adopted CenturyLink QC's current price plan on August 8, 2008, in Order No. 08-408 ("Current Price Plan"). On November 13, 2012, CenturyLink QC filed its Price Plan Performance Report, in accordance with the Current Price Plan. CenturyLink QC filed to revise the Current Price Plan on May 3, 2013. After several rounds of settlement discussions, CenturyLink QC amended its Petition for Revision of Price Plan on July 3, 2013, September 12, 2013 and January 23, 2014.

4. ALJ Kirkpatrick presided over a prehearing conference on February 26, 2014, and adopted a schedule for the proceeding the same day. The Joint Parties subsequently exchanged proposals to reach a settlement of the issues in the case and participated in a workshop to discuss those proposals. The workshop was noticed and opened to all parties to the docket. The Stipulation is a product of these discussions.

## AGREEMENT

5. Exhibit A sets forth the terms and conditions of the Price Plan the Joint Parties agree the Commission should approve. By executing this Stipulation, CenturyLink QC agrees to abide by and perform all terms of this Stipulation and the Price Plan. By executing this Stipulation, the Joint Parties agree to abide by and perform all agreements set forth in this Stipulation.

6. CenturyLink QC acknowledges and agrees that no rate, tax, term or condition in any interconnection agreement will change as a result of CenturyLink QC's Petition and any subsequent Stipulation in this docket. Any change to a rate, tax, term or condition in any interconnection agreement must be effectuated pursuant to the terms of such interconnection agreement and subject to 47 U.S.C. Sections 251-252 and the approval of the Commission; provided, however, that CenturyLink QC may seek Commission approval of changes to any such rates in a generic cost docket. CenturyLink QC further acknowledges that Commission approval of its Petition and subsequent Settlement Agreement in this docket shall not in any way impact its continuing obligations under existing interconnection agreements and shall not in any way impact its continuing obligations under Sections 251 and 252 of the Telecommunications Act of 1996, 47 U.S.C. 251-252, nor any federal or state regulations, orders or rules promulgated under such statutes, nor any federal rules or orders

promulgated under any section of the Federal Communications Act of 1934 (the “Communications Act”), as amended.

7. The Joint Parties agree, or do not object, that the Price Plan will be effective immediately following the Commission’s approval of this Stipulation and the Price Plan.

8. The Joint Parties agree, or do not object, that the terms of this Stipulation and Price Plan satisfy the public interest standard set forth in ORS 759.255 for approval of this Price Plan.

9. The Joint Parties agree not to oppose this Stipulation and the Price Plan and will make no effort to undermine Commission approval. This Stipulation will be offered into the record of this proceeding as evidence pursuant to OAR 860-001-0350(7). The Joint Parties may provide either witnesses to sponsor testimony or legal representatives with respect to this Stipulation. The Joint Parties will recommend the Commission issue an order adopting the agreements contained herein and approving this Stipulation and the Price Plan.

10. CenturyLink QC requests the Commission enter an order approving this Stipulation and the Price Plan as soon as possible and not later than August 31, 2014. The Joint Parties support this request.

11. The Joint Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation or the

Price Plan, or imposes additional material conditions in approving the Stipulation and the Price Plan, any Party shall have the right, upon written notice to the Commission and all other Parties within 15 business days of the Commission's order, to withdraw from this Stipulation or seek reconsideration or appeal of the Commission's order, or both. However, prior to withdrawal, the Party shall engage in good faith negotiation with the other Joint Parties. No Party withdrawing from this Stipulation shall be bound to any position, commitment, or condition of this Stipulation.

12. The Joint Parties agree that this Stipulation represents compromises in the positions of the individual Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. By entering into this Stipulation, no Party will 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, other than as specifically identified 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, except as expressly identified in this Stipulation.

13. The effective date of this Stipulation as to each Party will be the date of that Party's signature to the Stipulation.

14. This Stipulation may be executed in counterparts and each signed counterpart will constitute an original document.

This Stipulation is entered into by each Party as of the date(s) entered below:

**Citizens' Utility Board of Oregon**

By: \_\_\_\_\_  
Sommer Templet

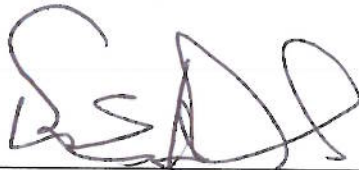
Date: \_\_\_\_\_

**Public Utility Commission of Oregon Staff**

By: \_\_\_\_\_  
Jason W. Jones

Date: \_\_\_\_\_

**Qwest Corporation d/b/a CenturyLink QC**

By:  \_\_\_\_\_  
William E. Hendricks III

Date: 7/31/2024

**Telecommunications Ratepayers Association for Cost-based and Equitable Rates**

By: \_\_\_\_\_  
Arthur A. Butler  
Of Attorneys for TRACER

Date: \_\_\_\_\_

**Integra Telecom of Oregon**

By: \_\_\_\_\_  
Douglas Denney


Date: \_\_\_\_\_

This Stipulation is entered into by each Party as of the date(s) entered below:

**Citizens' Utility Board of Oregon**

**Public Utility Commission of Oregon Staff**

By: \_\_\_\_\_  
Sommer Templet

By:  \_\_\_\_\_  
Jason W. Jones

Date: \_\_\_\_\_

Date: 7/31/14 \_\_\_\_\_

**Qwest Corporation d/b/a CenturyLink QC**

**Telecommunications Ratepayers Association for Cost-based and Equitable Rates**

By: \_\_\_\_\_  
William E. Hendricks III

By: \_\_\_\_\_  
Arthur A. Butler  
Of Attorneys for TRACER

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Integra Telecom of Oregon**

By: \_\_\_\_\_  
Douglas Denney

Date: \_\_\_\_\_

This Stipulation is entered into by each Party as of the date(s) entered below:

**Citizens' Utility Board of Oregon**

**Public Utility Commission of Oregon Staff**

By: \_\_\_\_\_  
Sommer Templet

By: \_\_\_\_\_  
Jason W. Jones

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Qwest Corporation d/b/a CenturyLink QC**

**Telecommunications Ratepayers Association for Cost-based and Equitable Rates**

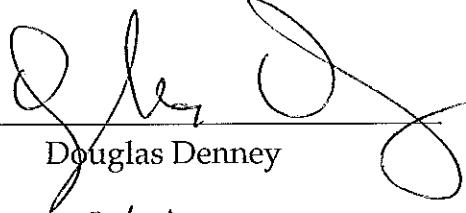
By: \_\_\_\_\_  
William E. Hendricks III

By: \_\_\_\_\_  
Arthur A. Butler  
Of Attorneys for TRACER

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Integra Telecom of Oregon**

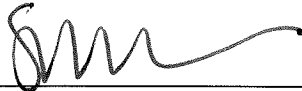
By:  \_\_\_\_\_  
Douglas Denney

Date: 8/11/2014



This Stipulation is entered into by each Party as of the date(s) entered below:

**Citizens' Utility Board of Oregon**

By:  \_\_\_\_\_  
Sommer Templet

Date: 8/1/14 \_\_\_\_\_

**Public Utility Commission of Oregon Staff**

By: \_\_\_\_\_  
Jason W. Jones

Date: \_\_\_\_\_

**Qwest Corporation d/b/a CenturyLink QC**

By: \_\_\_\_\_  
William E. Hendricks III

Date: \_\_\_\_\_

**Telecommunications Ratepayers Association for Cost-based and Equitable Rates**

By: \_\_\_\_\_  
Arthur A. Butler  
Of Attorneys for TRACER

Date: \_\_\_\_\_

**Integra Telecom of Oregon**

By: \_\_\_\_\_  
Douglas Denney

Date: \_\_\_\_\_

This Stipulation is entered into by each Party as of the date(s) entered below:

**Citizens' Utility Board of Oregon**

**Public Utility Commission of Oregon Staff**

By: \_\_\_\_\_  
Sommer Templet

By: \_\_\_\_\_  
Jason W. Jones


Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Qwest Corporation d/b/a CenturyLink QC**

**Telecommunications Ratepayers Association for Cost-based and Equitable Rates**

By: \_\_\_\_\_  
William E. Hendricks III

By:   
Arthur A. Butler  
Of Attorneys for TRACER

Date: \_\_\_\_\_

Date: 7/31/14

**Integra Telecom of Oregon**

By: \_\_\_\_\_  
Douglas Denney

Date: \_\_\_\_\_

**Price Plan Pursuant to ORS 759.255  
Qwest Corporation d/b/a CenturyLink QC**

DEFINITIONS:

1. “New service” means a retail telecommunications service that is offered in Oregon for the first time following the effective date of this Price Plan. A service is not a new service if it merely renames, repackages, or is a variation of an existing service, or if it is reintroduced in substantially the same form after having been provided for free, withdrawn or abandoned.
2. “pre-Plan rates” means the rates charged by CenturyLink QC (the Company) in Oregon pursuant to its tariffs or price list that were effective on May 19, 2014, or CenturyLink QC’s original introductory price for any new service introduced after May 19, 2014, but before the effective date of this Price Plan.
3. “Primary line basic service” means the first line only of basic local exchange service for an individual residential or business customer account at a single location that is not sold as part of a package. For purposes of this definition, “basic local exchange service” means residential single party flat rate local exchange service; residential single party measured local exchange service, including local exchange usage; business single party flat rate local exchange service; and business single party measured local exchange service, including local exchange usage. These rates are set forth in CenturyLink QC’s P.U. C. Oregon No. 33 Local Exchange Tariff, Section 5, Sheet 46 and Sheets 48-51.
4. “Other Services” means any other residential or business services contained in CenturyLink QC’s intrastate retail tariffs that are not expressly listed in the Price Plan. “Other Services” does not include Packages and Bundles.

5. “Packages and Bundles” means any combination of services which may include primary line residential or primary line business service as well as other services at a combined price.

**A. General Objectives. CenturyLink QC’s Price Plan, as amended and agreed to through the associated stipulation, (“Price Plan” or “Plan”) will achieve the following objectives;**

1. Ensure the Plan is operating in a way that is in the public interest.
2. Produce prices for CenturyLink QC’s retail telecommunications services that are just and reasonable.
3. Ensure that the quality of existing telecommunications services will stay at or above current levels.
4. Maintain the appropriate balance between the need for regulation and competition.
5. Simplify and reduce the burden of regulation for both CenturyLink QC and the Commission.
6. Maintain the availability of primary line basic service at affordable rates throughout the state.
7. Increase CenturyLink QC’s pricing flexibility to meet changing market conditions.
8. Make new telecommunications services available.

**B. Pricing and Availability of Services under Price Plan Initial Rates.** The rates that CenturyLink QC currently charges in its approved tariffs and price lists will be its pre-Plan rates. These rates are subject to adjustment as provided below.

1. Price Caps
  - a. Non-recurring charges for residential primary line basic service. Charges may increase a maximum of \$10 during the period of the Price Plan.

UM 1354  
Exhibit A – Price Plan

- b. Recurring charges for residential service. Primary line basic service for residential customers will be subject to price caps. Monthly rates for this Service may increase a maximum of \$3.00 during the period of the Price Plan. CenturyLink QC may increase these rates up to a \$2.00 on the Price Plan's effective date, and may increase rates up to an additional \$1.00 beginning in year 2 of the Price Plan.
  - c. Recurring and non-recurring charges for business primary line basic services. Rates for these services will not be subject to price caps. If CenturyLink QC increases the recurring charge by more than \$4 over the term of the plan, CenturyLink QC must provide customers 90 day notice prior to 1) making the change that causes the cumulative price increase over the term of the Price Plan to exceed \$4.00 and 2) making any subsequent price changes.
  - d. Availability. CenturyLink QC will continue to offer primary line residential and business basic service on a stand-alone basis.
2. Petition to remove or adjust price caps. CenturyLink QC may petition the Commission to remove or adjust the price caps for primary line residential basic service. CenturyLink QC will have the burden of showing that the removal or adjustment of the price caps for primary line residential basic service will result in rates that are just and reasonable. The Commission may also consider whether removal or adjustment of the price caps is in the public interest, considering the factors set forth in ORS 759.255(2). There is no presumption as part of this Price Plan that the Joint Parties would support such a petition.

- C. Telephone Assistance Plans.** CenturyLink QC will continue to offer current Telephone Assistance Plans (OTAP, Tribal Lifeline, and Tribal Link-Up) pursuant to state and federal requirements.
- D. Switched Access.** Rates for intrastate switched access services will be capped at current rates and the Commission may adjust the price caps if required by FCC action.
- E. EAS.** Rates for extended area service (EAS) are capped at current rates but, for billing purposes, the Company is permitted to combine the rate for primary line residential basic service and EAS into a single rate. CenturyLink QC will continue to offer customers all existing options, including measured EAS service combined with monthly flat rate service. CenturyLink QC will not be required to establish any new or expanded EAS routes as long as it operates under the Price Plan.
- F. DS-1 and ISDN-PRI Services.** Rates for DS-1 and ISDN-PRI services will not be subject to price caps. If CenturyLink QC increases prices more than 25 percent over the term of the plan, CenturyLink QC must provide customers 6 months notice prior to 1) making the change that causes the cumulative price increase over term of the Price Plan to exceed 25 percent, and 2) making any subsequent price increases of over 5 percent within a rolling 12 month period.
- G. E911 Services (including PS/ALI).** Rates, terms and conditions remain at pre-Plan status.
- H. Other Services.** Monthly rates for “Other Services” for business customers will not be subject to price caps. Monthly rates for residential customers may increase up to 50 percent or \$.50, annually, whichever is greater. The cumulative price increase over the term of the Price Plan is not to exceed 200 percent for residential customers. Within 60 days of receiving notice of price increase to “Other Services,” business and residential customers

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Exhibit A – Price Plan

who request removal of any service contained in “Other Services” will not incur a non-recurring charge for the removal of the service.

- I. Rate averaging.** For residential primary line basic service and business primary line basic service, CenturyLink QC will not further deaverage beyond the three existing (pre-Plan) rate groups. Existing dollar differences between rate groups will not increase. For all other services, CenturyLink QC will maintain the statewide average rates, except for ISDN-BRS which is currently deaveraged.
- J. New Services.** Any new service introduced after the effective date of the Price Plan will not be subject to price caps. (Definition of New Services not to include repackaging of existing services.)
- K. Toll Restriction/Call Trace/Unlisted Numbers.** These three services are capped at pre-Plan rates.
- L. Directory Listings.** The first listing is included with primary line telephone service, including those within Packages and Bundles. The second and any other additional listings will be subject to the “Other Services” rate cap above.
- M. Exogenous change adjustments.** CenturyLink QC may petition the Commission for adjustments to the price cap for any service provided under the Price Plan to reflect factors outside the Company’s control, which will have a material impact on the Company (e.g., changes in law, rule, or tax structure as a result of legislative, judicial, or administrative agency action). For example, the Company may request consideration of changes in Universal Service Support, FCC imposed price floors, etc. if those items are beyond its control and have a material impact on the Company. There is no presumption as part of this Price Plan that the Joint Parties would support such a petition, and not all parties agree that

the specific examples set forth in this paragraph constitute an appropriate reason for the Company to make such a filing under this provision of the Price Plan.

- N. Intrastate Special Access.** Nothing in this Price Plan affects existing intrastate special access services. CenturyLink QC may petition the Commission separately for any proposed rate changes to intrastate special access services.
- O. Packages and Bundles.** CenturyLink QC may combine any regulated telecommunications service with any other service(s) to offer packages and bundles of services, which may include primary line residential basic service and EAS, at any price subject to the following conditions:
1. Customers can purchase separately from the company's tariff or price list any regulated telecommunications service included in the package or bundle.
  2. The package or bundle price is not more than the sum of the retail prices of all services available in the package or bundle.

Terms applicable to new packages or bundles, including those that include primary line residential basic service, will be established in the Company's price list at least one day prior to their effective date.

- P. Notice of tariff changes.** CenturyLink QC will provide the Commission notice of price increases or other changes to terms and conditions for services under price cap by making tariff filings at least 30 days prior to the effective date of such price changes. The Company will provide the Commission notice of price decreases for services under price cap by making tariff filings at least one day prior to the effective date of such price decreases.



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CenturyLink QC will make price list changes for New Services, Other Services, and Packages and Bundles at least one day prior to the effective date of any price change.

CenturyLink QC will also provide customers at least 30 days prior notice for services they are purchasing at the time of the price increase. For services on a per-call basis,

CenturyLink QC will give reasonable notice to the customer of the price prior to the customer's use of the service.

**Q. Services exempt from regulation.** Services that the Commission has already ordered to be exempt from regulation will remain exempt from regulation, subject to the conditions of the order that exempted the service from regulation. CenturyLink QC retains the ability to petition the Commission to exempt additional services from regulation under ORS 759.052.

**R. Promotions.** CenturyLink QC may offer promotions for primary line residential basic service and other regulated services pursuant to ORS 759.182 and 759.267.

**S. Service Quality.** CenturyLink QC will continue to be subject to the Retail Telecommunications Service Standards for Large Telecommunications Utilities identified in OAR 860-023-0055 subject to the following points of clarification: 1) the performance plan leniency contained in section V.B.1 will not be present in the new plan and 2) CenturyLink QC will be able to seek an exemption from its current service quality reporting requirements pursuant to OAR 860-023-0055(15)(c) in the new plan (i.e., the agreement not to do so in II.B.3 of the current plan will not be present in the new plan).

**T. Specific Commitments.**

- a. **Service Performance Guarantees.** The service performance guarantee present in the Price Plan adopted in Order No. 08-408 will be removed. That guarantee will be reinstated if the standard in 860-023-0055(4) - on a statewide basis, or 860-023-

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0055(6) – for any repair center, is missed for 3 months out of a 12 month rolling period. Force Majeure events, as defined in OAR 860-023-0055(1)(h), that cause a miss in the service results will not be counted as a miss for purposes of reinstating the service performance guarantees. If the service performance guarantee program is reinstated due to missing either of the standards, the program can be removed again if the company meets the previously missed standard for a 12 month period.

- b. Network and Other Investments. CenturyLink invests in its Oregon network to expand the network's capabilities and enhance reliability, thereby providing benefits to its customers. In order to provide a customer benefit during the term of the Price Plan, CenturyLink agrees to make the following public benefit commitments:
- i. CenturyLink's portion of the South Oregon Coast Diversity Project at an estimated cost of \$150,000 which will provide route diversity and a public safety benefit to customers in that region.
  - ii. The Hood River Gorge Diverse Route Fiber Ring. This is a fiber ring CenturyLink intends to construct to establish route diversity to the Hood River, Columbia Gorge and Mount Hood areas, which will also provide diversity for legacy CenturyTel and United Internet connections statewide and 911 SS7 link redundancy for legacy CenturyTel and United customers in the Hood River, Columbia Gorge and Mount Hood areas. The estimated equipment cost for this project is \$500,000.
  - iii. If CenturyLink completes the projects above in T (b) (i and ii), and the project actual costs are less than the estimated \$650,000, CenturyLink will complete

additional projects as identified in T (c) (ii) or will work with Staff and CUB to identify new projects to reach the \$650,000.

- c. If CenturyLink is unable to complete the projects identified in T (b) (i. and ii.) above, CenturyLink would commit to the following projects:
- i. Same as (b)(i) above.
  - ii. Augments to CenturyLink’s backbone fiber rings to migrate services off the original platform to a newer and higher capacity ring. This upgrade would provide the ability to add capacity as well as new technologies to the existing backbones rings. This project would benefit all CenturyLink Oregon customers.
  - iii. If CenturyLink is unable to complete the projects identified in b above, CenturyLink would invest the same estimated dollar amounts that were agreed to in section b for projects listed in section c (subparagraphs i. and ii.)

**U. Waiver of statutes, rules, and UM 1484 Merger Conditions.**

1. Statutes. CenturyLink QC’s compliance with the following statutes, and all Commission rules implementing these statutes, is waived in full, unless a partial waiver is noted:
  - ORS 759.120 Form and manner of accounts prescribed by Commission. Partial to the extent allowed by Order 11-095, Condition #11.
  - ORS 759.125 Records and accounts prescribed by Commission; prohibition on other records or accounts; exception; blanks for reports. Partial to the extent allowed by Order 11-095, Condition #11.
  - ORS 759.135 Depreciation accounts; un-depreciated investment allowed in rates; conditions. Full waiver. Waiver of this rule should not be understood

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to impact the requirement to report plant depreciation as requested in the Form O.

- ORS 759.180 to ORS 759.200 (with the exception of ORS 759.182).
- Full waiver of statutes listed below:
  - 759.180 Hearing on reasonableness of rates; procedures; exceptions
  - 759.185 Suspension of rates pending hearing; time limitation; refund of revenue collected; interim rates.
  - 759.190 Notice of Schedule Change
  - 759.195 Price listing of services; conditions; maximum rates; essential services; justification by utility of rates for price-listed services.
  - 759.200 Inclusion of amortizations in rates; deferral of certain expenses or revenues; limitation on amounts; prohibited uses.
- ORS 759.215(2) Public access to schedules. Full waiver.
- ORS 759.220 Joint rates and classifications; procedure; considerations – Partial waiver with regard to joint rates and establishment of new through services, but not with regard to canceling any existing through service.
- ORS 759.285 Charging rates based on cost of property not presently providing service. Full waiver.
- ORS 759.300 to ORS 759.360 – Issuance of Securities. Full waiver.
- ORS 759.385 to 759.393 Affiliate interest contracts.

2. Rules. CenturyLink QC's compliance with the following Commission rules is waived in full, unless a partial waiver is noted:

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- OAR 860-022-0025(2)(b) and (c) Requirements for Filing Tariffs or Schedules Changing Rates.
- OAR 860-022-0030 Requirements for Filing Tariffs or Schedules Naming Increased Rates.
- OAR 860-027-0015 New Construction Budget
- OAR 860-027-0050 Uniform System of Accounts for Large Telecommunications Utilities, partial waiver per Order 11-095, condition #11.
- OAR 860-027-0052 Allocation of Costs by a Large Telecommunications Utility
- OAR 860-027-0100 Reporting of Affiliated Transactions

3. Other.

- Partial waiver of Condition #11 in Commission Order 11-095 (appendix A) in Docket UM 1484 imposing as a condition of approval of the merger a requirement that CenturyLink QC annually submit Form O and Form I. CenturyLink QC will submit a Form I every three years (next report due 2016). No waiver of annual requirement for Form O.
- CenturyLink QC is not required to provide regional information in the Form O, and will only be required to provide Oregon-specific information in the Form O. CenturyLink QC is not required to file the following schedules in the annual Form O:

- B-2. Analysis of Depreciation and Amortization
- B-3. Analysis of Charges related to Plant Retired
- B-4. Long-term Debt
- I-4. Operating Taxes other than Federal Income Tax

- I-6. Reconciliation of Reported Net Income with Taxable Income for Federal Income Tax
- I-7. Reconciliation of Reported Net Income with Taxable Income for Oregon State Excise Tax
- I-8. Transactions with Affiliated and NonRegulated Operations

- CenturyLink QC's Form I filing, due every three years beginning in 2016, will be in the format provided in Attachment 1 to the Price Plan.

V. Term and Conditions for Review of CenturyLink QC's Performance Under Price Plan.

Term: The Price Plan will extend for three years, with an option for CenturyLink QC to extend the Price Plan by an additional (fourth) year. No later than the end of the second year of the Price Plan, CenturyLink QC will notify the Commission of its intent to extend the Plan for a fourth year or petition the Commission seeking 1) a new price plan; 2) modification to the existing Price Plan; or 3) any other form of regulation that may be applicable. If the Company elects to extend the Price Plan for a fourth year, it will be required to petition the Commission for a new form of regulation no later than the end of the third year of the Price Plan. Should the Company provide notice that it intends to extend the Price Plan for the fourth year, rates will remain at the negotiated cap(s) for basic residential service unless CenturyLink QC has not exercised the full dollar amount of the cap(s).

Three-year review: CenturyLink QC's performance under the Price Plan will be reviewed by the Commission every three years. The Company will file a report regarding its performance as compared to the objectives of the plan by the 90<sup>th</sup> day of the third year of operation under the plan. The report will review how the objectives of the plan are being met and will include the following information:

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1. An analysis of current market conditions for the various categories of CenturyLink QC's regulated retail telecommunications services to the extent such information is publically available.
2. Data regarding the gain or loss of access lines by wire center.
3. A discussion of how the pricing flexibility allowed the Company to meet the plans objectives.
4. Identification of any new services CenturyLink QC has introduced.
5. Identification of any ways in which the burden of regulation for both the Company and the Commission has been simplified or reduced.

W. Evaluation of market, modifications to Plan.

The Commission will review the data submitted by CenturyLink QC and any other relevant evidence regarding the competitiveness of the market for services that are functionally equivalent or substitutable for services offered by the Company, as well as any other relevant factors, and determine whether other modifications to the Plan are appropriate to provide CenturyLink QC with additional regulatory flexibility beyond that included in the original Price Plan.

The Commission may open an investigation at any time pursuant to ORS 756.515 to determine whether further adjustments to the price plan or termination of the Price Plan is required by the public interest, according to the factors set forth in ORS 759.255(2). The Commission may order further adjustments to the Price Plan or termination of the Price Plan only after providing the Company notice and an opportunity for hearing. In any such investigation and proceeding, the Joint Parties agree that the Commission should first

attempt to identify and require adjustments to the price plan such that the continuation of the Price Plan is in the public interest before it orders termination of the Price Plan.

1. If the Commission orders termination of the Price Plan, CenturyLink QC would no longer be able to increase its rates as it was permitted to do under the Price Plan, but the Company would be allowed to decrease its rates subject to any applicable price floor.
2. If the Commission orders termination of the Price Plan, the Company may thereafter pursue any form of price regulation or relief therefrom then permitted under Oregon law, including but not limited to: exemptions from regulation pursuant to ORS 759.052; price listing pursuant to ORS 759.054, 759.056, and/or 759.195; rate regulation pursuant to ORS 759.175-759.190; another price plan pursuant to ORS 759.255; or price cap regulation pursuant to ORS 759.405-759.410.
3. If the Commission orders early termination of the Price Plan, the Parties agree the Commission may also, in the same proceeding, adjust CenturyLink QC's rates to ensure that the Company's rates are just and reasonable, and the Parties agree not to advocate for rates that are lower than pre-Plan rates. CenturyLink QC would no longer be able increase its rates as it was permitted to do under the Price Plan, but the Company would be allowed to decrease its rates subject to any applicable price floor.



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<b>20XX FORM I INPUT MASTER</b>			
<b>COMPANY NAME: &lt;enter name&gt;</b>			
<b>FCC Account and Description</b>	<b>Note No.</b>	<b>Line No.</b>	<b>Total Oregon Operations Subject To Separations</b>
<b>DETAIL</b>			<b>(Note 1)</b>
<b>PLANT IN SERVICE</b>			
<b>21XX General Support Facilities</b>		1	<b>0</b>
<b>22XX Central Office Equipment:</b>			
CAT 1-Operator Systems		2	0
CAT 2-Tandem Switching (Alloc.)		3	0
CAT 2-Tandem Switching (Assign.)		4	0
CAT 3-Local Switching		5	0
CAT 4.12 -Exch. Trunk (Joint Use)		6	0
CAT 4.12 -Exch. Trunk (Ded. Use)		7	0
CAT 4.13 -Subscr. Line (Joint Use)	(6)	8	0
CAT 4.13 -Subscr. Line (Ded. Use)		9	0
CAT 4.23 -IX Trunk (Joint Use)		10	0
CAT 4.23 -IX Trunk Ckt. (Ded. Use)		11	0
CAT 4.3 -Host/Remote Trunk Ckt.		12	0
COE Other ( Wideband CAT 4.11, .12 & .22)	(7)	13	0
<b>Total COE</b>		14	<b>0</b>
<b>23XX Information Orig./Term. Equipment:</b>			
CAT 1-Regulated CPE		15	0
Other IOT		16	0
<b>Total IOT</b>		17	<b>0</b>
<b>24XX Cable &amp; Wire Facilities:</b>			
CAT 1.3-Subscriber Line (Common)	(6)	18	0
CAT 1.1,2-Subscriber Line (Ded.)		19	0
CAT 2-Exch. Trunk (Joint Use)		20	0
CAT 2-Exch. Trunk (Ded. Use)		21	0
CAT 3-IX Trunk (Joint Use)		22	0
CAT 3-IX Trunk (Ded. Use)		23	0
CAT 4-Host/Remote Trunk		24	0
C&WF Other ( Wideband )	(7)	25	0
<b>Total C&amp;WF</b>		26	<b>0</b>
<b>26XX Other Assets:</b>			
Capital Leases		27	0
Leasehold Improvements		28	0
Intangibles		29	0
<b>Total Other Assets</b>		30	<b>0</b>
<b>Total Telecom. Plant in Service</b>		31	<b>0</b>

## CERTIFICATE OF SERVICE

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I hereby certify that on the 1<sup>st</sup> day of August 2014, I served the foregoing **QWEST CORPORATIONS' JOINT TESTIMONY, WITNESS QUALIFICATION STATEMENTS, AND STIPULATION** in the above entitled docket on the following persons via means of e-mail transmission to the e-mail addresses listed below. No paper copies will follow.

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DATED this 1<sup>st</sup> day of August, 2014.

CENTURYLINK



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\* Have signed Protective Order No. 08-116