



CARLA M. BUTLER

August 1, 2014

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

RE: UM 1686 – 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 1686

In the Matter of the Petition of United Telephone Company of the Northwest, CenturyTel of Oregon, and CenturyTel of Eastern Oregon 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 United Telephone Company of the Northwest, CenturyTel of
4 Oregon, and CenturyTel of Eastern Oregon (“CenturyTel/United” or “the Companies”).
5 My witness qualifications statement is included as an attachment 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 CenturyTel/United, 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 1686 was opened to consider the Companies' Petition for Approval of a
11 Price Plan Pursuant to ORS 759.255, filed on February 28, 2014. The term "Petition" as
12 used in the Stipulation and in this joint testimony refers to CenturyLink's petition for
13 approval of the price plan in the form attached to the Stipulation as Exhibit A (the
14 "Price Plan" or "Plan").

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

16 A. No, Integra and TRACER expressed concerns regarding only a limited number
17 of issues. To the extent Integra and TRACER did not express a concern on an issue they
18 do not object to its inclusion in the Stipulation.¹

¹ Stipulation, ¶ 2.

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

3 A. Yes. CenturyTel/United, Staff, and CUB support the Stipulation and the Price
4 Plan 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 CenturyTel/United's
13 request 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. CenturyTel/United, Staff and CUB Recommendation

18

1 **I. PROCEDURAL HISTORY**

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

3 A. On April 28, 2014, CenturyLink asked the Commission to stay the procedural
4 schedule in this case while the Commission considered a similar petition by Qwest
5 Corporation d/b/a (“CenturyLink QC”), in Docket UM 1354, which involves issues
6 common to this docket. The parties, in Docket UM 1354, exchanged settlement
7 proposals prior to a workshop on June 12, 2014. This workshop was noticed and open
8 to all parties to the docket. During the workshop, the Parties also discussed resolution
9 of the issues in this case. The Stipulation is a product of that discussion.

10

11 **II. FORCES DRIVING CENTURYTEL/UNITED’S REQUEST FOR A PRICE**
12 **PLAN**

13 **Q. What led CenturyTel/United to file for the Price Plan at this time?**

14 A. CenturyTel/United asserts that it is seeking to enter into a Price Plan to provide it
15 “additional regulatory flexibility to meet the intense and increasing competition
16 CenturyTel/United is facing in its retail markets,” [Petition, at p. 1], so that it can
17 compete in the marketplace with services that are provided by (1) traditional facilities-
18 based carriers, including cable telephony providers Comcast, Wave Broadband, and
19 Charter Communications, (2) several CLECS and (3) intermodal competitors that
20 provide comparable services, including wireless companies, and VoIP providers. *See*

1 Petition, at p. 3-4. In addition, CenturyTel/United asserts that “[t]he data shows that in
2 most cases, CenturyTel/United’s rural customers have more than one wireless carrier to
3 choose from” and that more and more customers are relying on email, texting, and
4 social networking to meet their communications needs. *Id.*, at p. 4. Furthermore,
5 CenturyTel/United asserts that “access lines have declined by 43%” between 2001 and
6 2012 and at the same time that “population, the number of households, and
7 telecommunications expenditures in Oregon have increased, CenturyTel/United’s
8 revenues have decreased.” *Id.* CenturyTel/United also explains that “possibly the most
9 telling statistic is that while telephone subscribership has remained steady in Oregon,
10 CenturyTel/United access lines have declined, which shows that customers are
11 exercising their wide array of choices in CenturyTel/United’s markets.” *Id.*

12 **Q. Do all of the parties agree with CenturyTel/United’s assertions regarding the**
13 **competitive landscape?**

14 A. No. No party has taken a position on whether the claims regarding
15 CenturyTel/United’s competitive landscape in Oregon are valid. The Stipulation was a
16 compromise by all parties to obtain settlement. Only issues affirmatively agreed to by
17 all parties in the Stipulation represent joint positions. Notwithstanding the above,
18 CenturyTel/United, Staff and CUB agree that approval of the Price Plan is in the public
19 interest and has met the standards for review required under ORS 759.255(2).

1 CenturyTel/United, Staff and CUB recommend that the Commission approve the
2 Stipulation and the Price Plan.

3

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

5 **Q. Please describe the major considerations which caused CenturyTel/United,**
6 **Staff and CUB to conclude that the Plan is in the public interest.**

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

13 If competition does indeed turn out to be very robust, the Plan will allow
14 customers to realize the benefits of that competition through lower prices and the
15 availability of new services. Customers should also experience a high level of service
16 quality because CenturyTel/United will need to provide that to remain competitive in a
17 competitive environment. There is nothing in the Plan that would detract from the
18 benefits customers would receive in a highly competitive environment.

19 If competition is less robust than CenturyTel/United predicts, either overall or in
20 certain areas, the Plan should provide pricing safeguards to ensure just and reasonable

1 prices and service quality safeguards to ensure customers continue to receive high
2 quality service.

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

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

8 A. The Price Plan, which is an alternative form of regulation, provides
9 CenturyTel/United with significant pricing flexibility, enabling the Company to price its
10 services to help it better compete in the market.

11 The Plan affords CenturyTel/United significant pricing flexibility for its main
12 phone service offering – Packages and Bundles. Packages and Bundles for both the
13 residential and business markets have no specific caps² on rates under the Plan, but still
14 protect customers by not allowing the total price of such bundles to be more than the
15 sum of the retail price of all services available in the package or bundle. *See*
16 Attachment A, Section O.

17 In addition, CenturyTel/United has the ability to increase its primary line basic
18 residential service rates \$2.00 upon the effective date of the Plan, and it may increase
19 rates an additional \$1.00 at the beginning of year two. Recurring rates for primary line

² "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 basic business services will not be subject to caps upon approval of the Plan, but
2 enhanced customer notification of increases is required in certain circumstances. *Id.*, at
3 Section B.1.

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

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

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

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

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

1 A. Under the Plan, CenturyTel/United will continue to be subject to the Retail
2 Telecommunication Service Standards for Large Telecommunication Utilities and the
3 associated reporting requirements identified in OAR 860-023-0055. *Id.*, at Section S. The
4 Plan contains the proviso that:

5 If the standard in 860-023-0055(4) - on a statewide basis, or 860-023-0055(6) – for
6 any repair center, is missed for 3 months out of a 12 month rolling period, the
7 Company will implement a service guarantee plan consistent with the terms of
8 the plan adopted for CenturyLink QC in Order No. 08-408.

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

10 A. The performance guarantee will be initiated if results do not meet certain criteria
11 and, if initiated, can be removed again under certain conditions. *Id.*, at Section T.a.
12 There are also network and other investment commitments in the Plan, which serve to
13 provide public interest benefits to CenturyLink’s customers throughout the state.

14 **Q. Please describe those commitments.**

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

- 17 • CenturyLink’s portion of the South Oregon Coast Diversity Project at an
18 estimated cost of \$150,000 which will provide route diversity and a public
19 safety benefit to customers in that region;

- 1 • The Hood River Gorge Diverse Route Fiber Ring. This is a fiber ring
2 CenturyLink intends to construct to establish route diversity to the Hood
3 River, Columbia Gorge and Mount Hood areas, which will also provide
4 diversity for Century Tel/United’s internet connections statewide and 911
5 SS7 link redundancy for legacy CenturyTel and United customers in the
6 Hood River, Columbia Gorge and Mount Hood areas. The estimated
7 equipment cost for this project is \$500,000; and
- 8 • If CenturyLink completes the projects above, and the project actual costs
9 are less than the estimated \$650,000, CenturyLink will complete additional
10 projects as identified in the Plan. or will work with the Staff and CUB to
11 identify new projects to reach the \$650,000.

12 **Q. Please describe the term of the Plan and the conditions for review of**
13 **CenturyLink’s performance under the Price Plan.**

14 A. The term of CenturyTel/United’s Price Plan is three years with
15 CenturyTel/United having the option of extending the Plan by an additional (fourth)
16 year. CenturyTel/United, at the end of year two, “will notify the Commission of its
17 intent to extend the Plan for a fourth year or petition the Commission seeking 1) a new
18 price plan; 2) modification to the existing Price Plan; or 3) any other form of regulation
19 that may be applicable.” *Id.*, at Section V.

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

1 A. Yes. The Company will file a report comparing its performance to the objectives
2 of the Plan by the 90th day of the third year of operation under the plan. The report will
3 review how the objectives of the plan are being met and will include the following
4 information: an analysis of current market conditions for the various categories of
5 CenturyTel/United's regulated retail telecommunications services, data regarding the
6 gain or loss of access lines by wire center, a discussion of how the pricing flexibility
7 allowed CenturyTel/United to meet the Plan's objectives, identification of any new
8 services that CenturyTel/United has introduced, and identification of any ways in
9 which the burden of regulation for both CenturyTel/United and the Commission has
10 been simplified or reduced.

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

12 A. Yes, as part of the review process the Commission may open an investigation at
13 any time pursuant to ORS 756.515 to determine whether further adjustments to the
14 price plan or termination of the price plan is required by the public interest, according
15 to the factors set forth in ORS 759.255(2). The Commission may order further
16 adjustments to the price plan or termination of the price plan only after providing
17 CenturyTel/United notice and an opportunity for hearing. In any such investigation
18 and proceeding, the Commission should first attempt to identify and require
19 adjustments to the price plan such that the continuation of the price plan is in the public
20 interest before it orders termination of the price plan.

1 **Q. Please generally describe the waivers of statutes and rules contained in the**
2 **Plan.**

3 A. As outlined in Section U of the Plan, the Plan provides for the waiver – in whole
4 or in part – of certain statutes and rules. ORS 759.255(5) provides the Commission
5 flexibility in waiving several of the statutes listed. In other instances, these statutes and
6 rules involve the reporting of information by CenturyTel/United that would no longer
7 be useful to either the Commission or to CenturyTel/United and that simply represents
8 a continuing and unnecessary administrative burden for both parties.

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

10 A. Integra expressed concerns limited to a few specific issues: Commission
11 authority over mergers and acquisitions, impacts of the privilege tax waiver, and
12 service quality.³ The Plan under the Stipulation retains Commission authority over
13 mergers and acquisitions, retains service quality standards and reporting, and does not
14 contain a waiver of the 4% privilege taxes rule.

15 In addition, CenturyTel/United acknowledges that Commission approval of the
16 Price Plan in this docket shall not in any way impact its continuing obligations under
17 existing interconnection agreements and shall not in any way impact its continuing
18 obligations under Sections 251 and 252 of the Telecommunications Act of 1996, 47
19 U.S.C. 251-252, nor any federal or state regulations, orders or rules promulgated under

³ UM 1354 Integra/200, Denney/5-7.

1 such statutes, nor any federal rules or orders promulgated under any section of the
2 Federal Communications Act of 1934 (the "Communications Act"), as amended.

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

4 A. TRACER was concerned with both the rates which would be paid by its member
5 customers as well as the length of time required for those customers to change
6 providers should they choose another provider in response to a CenturyTel/United
7 price change. The requirement to maintain the statewide average prices for services
8 helps to address TRACER's concerns regarding pricing. The requirement for a six
9 month notification prior to a significant rate changes help to address TRACER's
10 concerns regarding the lead time required for their customers to choose alternate
11 suppliers.

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

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

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

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

- 1 b) Ensures high quality of existing telecommunications services, and makes
2 new services available;
- 3 c) Maintains the appropriate balance between the need for regulation and
4 competition; and
- 5 d) Simplifies regulation.

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

8 A. The Joint Parties have carefully considered each of the statutory public interest
9 criteria and are comfortable that the attributes of the Plan support a finding that the
10 Plan is in the public interest. The following is a discussion of how the Plan meets each
11 of the four criteria.

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

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

15 A. The Plan ensures that CenturyTel/United's retail prices addressed by the Plan
16 will be just and reasonable because: 1) the Commission has already approved most of
17 the initial Plan prices as being just and reasonable; 2) a combination of price caps and
18 other pricing requirements, including enhanced customer notification periods and
19 statewide average rates, will ensure reasonable price changes; 3) the combination of the
20 pricing requirements in the Plan and the market will provide a restraint on upward

1 pricing, and 4) the Commission may open an investigation at any time to determine
2 whether further adjustments or termination of the Plan is necessary to ensure the public
3 interest standard is met for all the criteria in ORS 759.255, including the provision
4 regarding just and reasonable prices.

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

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

7 A. The initial prices will be the prices charged by CenturyTel/United in Oregon
8 pursuant to tariffs or price lists that were approved by the Commission prior to the
9 effective date of this Price Plan (“pre-Plan rates”), which the Commission has already
10 deemed just and reasonable.

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

13
14 **Q. Please describe the price caps contained in the Plan.**

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

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

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

20 3. “Sum of the Piece Parts” Protection – This item is comprised of the
21 Companies’ Packages and Bundles. Prices for Packages and Bundles may

1 not exceed the prices of the component services offered through the
2 bundle.

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

4 A. The prices for EAS, toll restriction, call trace (*59), unlisted numbers, and
5 intrastate switched access are capped at pre-plan rates through the term of the Plan.
6 Staff and CUB believe that customers who subscribe to only a single line service and use
7 limited or no calling features or no or limited long distance service may have fewer
8 competitive alternatives than customers who use many features and/or make extensive
9 use of long distance service. The Plan addresses Staff's and CUB's concerns by capping
10 the EAS rates at pre-Plan levels. Toll restriction, call trace (*59), and unlisted numbers
11 are capped in recognition of the public safety and privacy issues associated with these
12 services. Finally, switched access is capped at pre-plan rates because it represents a
13 wholesale service fundamental to competition in the switched long distance service
14 market.

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

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

18 As discussed above, Staff and CUB believe that certain customers who subscribe
19 to only a single line service and use limited or no calling features or no or limited long
20 distance service may have fewer competitive alternatives than customers who use many

1 features and/or make extensive use of long distance service. Those customers' interests
2 are addressed by caps on the prices for residential primary line basic service.⁴ The
3 Company may increase this residential price by \$2 per month on the effective date of
4 the Plan, and by another \$1 per month in year two of the Plan. The Companies may
5 petition the Commission to remove this price cap but will have the burden of showing
6 that the removal or adjustment of the price cap is in the public interest under ORS
7 759.255(2). No party to the Stipulation agrees at this time to support such a petition.

8 The Plan also limits increases to the non-recurring residential primary line basic
9 service charge increase to \$10 during the term of the Plan for United Telephone
10 Company of the Northwest. Non-recurring residential primary line basic service
11 charges for CenturyTel of Oregon and CenturyTel of Eastern Oregon are capped at pre-
12 Plan rates.

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

⁴ CUB takes no position on price caps with regard to business customers.

1 **Q. Which services are subject to the “sum of the piece parts” protection?**

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

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

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

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

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

15 As discussed above, certain customers who subscribe to only a single line service
16 and use limited or no calling features or no or limited long distance service may have
17 fewer competitive alternatives than customers who use many features and/or make
18 extensive use of long distance service. The primary line business rate is not capped, but
19 CenturyTel/United and Staff believe that competition will discipline prices and in the
20 event prices increase by \$4 per or more during the Plan term, CenturyTel/United is

1 required to provide 90 days notice to customers of the increase. This will help to
2 provide sufficient time for customers to seek competitive alternatives if they cannot
3 tolerate the price increase.

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

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

13 A. The Companies have agreed to maintain statewide average prices for all services
14 which are currently priced on a statewide basis. The Companies have also agreed not
15 to further deaverage the rates for their residential and business primary line basic
16 services.

17 For example, if CenturyTel/United were to decrease the price of a service that
18 currently has a statewide average rate by \$1.00, that same decrease would apply
19 throughout CenturyTel/United's service territory. Thus, customers in all parts of the
20 state will benefit from the price-constraining effects of competition that may not be as

1 robust in one area of the service territory as it is in others. The statewide average rate
2 and prohibition on further deaveraging will help customers in rural areas by limiting
3 the level of price increase to the increases the Company imposes on its customers in
4 urban areas that in some cases are subject to greater competition.

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

7
8 **Q. Does the Plan satisfy the public interest by ensuring that CenturyTel/United**
9 **maintains service at high quality standards and makes new services available?**

10 A. Yes. One of the objectives of the Plan is that the quality of CenturyTel/United's
11 retail services will "stay at or above current high levels," and that CenturyTel/United
12 will meet or exceed the Commission's applicable retail service standards and will
13 continue its current reporting practices as prescribed by OAR 860-023-0055. These
14 reports provide the Commission with the means to monitor CenturyTel/United's
15 service quality and compare it with historical performance. If CenturyTel/United is
16 found to be out of compliance with individual service quality standards, the
17 administrative rule OAR 860-023-0055(14) provides for the development of a corrective
18 action plan. If such service problems are not rectified, the Commission can consider
19 modifying or terminating the Plan.

20 CenturyLink agrees to spend \$650,000 in network improvement investment
21 comprised of two main projects: \$150,000 will go towards completing CenturyLink's

1 portion of the South Oregon Coast Diversity Project and \$500,000 will go towards the
2 Hood River Gorge Diverse Route Fiber Ring to establish route diversity to the Hood
3 River, Columbia Gorge and Mount Hood areas, which will also provide diversity for
4 legacy CenturyTel/United internet connections statewide and 911 SS7 link redundancy
5 for legacy CenturyTel and United customers in the Hood River, Columbia Gorge and
6 Mount Hood areas.

7 The Plan also contains a specific objective that CenturyTel/United will make new
8 telecommunications services available to Oregon customers. There is no price cap on
9 any new service, allowing the Company to respond to evolving market competition to
10 introduce innovative products that will benefit consumers. CenturyTel/United, Staff
11 and CUB believe the Plan will better enable CenturyTel/United to continue to seek
12 opportunities to deploy new services and capabilities.

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

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

17 A. As discussed earlier in this testimony, CenturyTel/United, Staff and CUB agree
18 that the Oregon telecommunications market has been changing and evolving, and that
19 for many customers there may be alternatives to CenturyTel/United's services. In such
20 an evolving market, alternative forms of regulation may be appropriate.

1 CenturyTel/United, Staff and CUB agree that the price controls of the Plan provide
2 protections for market segments that may have fewer options, such as single-line
3 residential customers that use limited or no features or long distance services. At the
4 same time, the Plan affords CenturyTel/United greater pricing flexibility in markets
5 where more options are present.

6 The Commission retains oversight over the Company's service quality. The
7 service quality reporting is the main tool the Commission has to measure the
8 Company's performance, and thereby ensure a high level of service is provided to
9 customers. CenturyTel/United, Staff and CUB recognize that, while competition may
10 act to ensure high quality service to some customers, competition alone may not be
11 adequate to ensure that customers with fewer choices receive high quality service.

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

14 A. Yes. Sections V and W of the Plan contain various provisions that would enable
15 the Commission to investigate and take remedial action if it were to find that
16 CenturyTel/United's service quality had fallen below established standards, or that
17 competitive forces had not kept CenturyTel/United's retail prices at just and reasonable
18 levels. The Commission could initiate such investigations at any time. Through these
19 mechanisms, the Commission would have a clear means to ensure that the Plan is

1 operating in the public interest and modify or terminate the Plan if it were to determine
2 that the Plan was no longer operating in the public interest.

3 **Criteria D – Simplifies Regulation**

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

6 A. Yes. As described earlier, Section U of the Plan provides for the waiver – in
7 whole or in part – of certain statutes and rules. In many instances, these statutes and
8 rules involve the reporting of information by CenturyTel/United that would no longer
9 be useful to either the Commission or to CenturyTel/United and that simply represents
10 a continuing and unnecessary administrative burden for both parties.**Q. Does the**
11 **Commission have the authority to waive these specific rules?**

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

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

16 A. Yes, Under ORS 759.255(5), the Commission may, if it approves a plan under
17 ORS 759.255(1), waive, in whole or in part, a telecommunications utility's compliance
18 with the following statutes: ORS 759.120 (accounting requirements); ORS 759.125
19 (accounts and records); ORS 759.130 (accounts, balance sheets and audits); ORS 759.135
20 (depreciation accounts); ORS 759.180 to ORS 759.205 (hearing on reasonableness of

1 rates, promotions, suspension of rates, notice of schedule changes, price listing,
2 amortizations, and filed rates); ORS 759.215 (public access to schedules); ORS 759.220
3 (joint rates and classifications); ORS 759.285 (charging rates based on cost of property
4 not presently providing service); and ORS 759.300 to ORS 759.393 (issuance of securities
5 and use of proceeds, transactions of utilities).

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

7 A. Yes, the Plan would waive, either in whole or in part, CenturyTel/United's
8 compliance with each of these statutes, with the following exceptions: 1) ORS 759.130,
9 which requires the filing of a year-end balance sheet; 2) ORS 759.182, which allows
10 CenturyTel/United to offer service promotions; 3) ORS 759.205, which requires
11 CenturyTel/United to charge for its services according to a published rate schedule; 4)
12 ORS 759.215(1), which requires CenturyTel/United to make its rate schedule available
13 to the public; and 5) ORS 759.375-380, which requires Commission approval over
14 CenturyTel/United mergers and acquisitions of other utility properties.

15 Partial waivers are granted for Condition #11 in Commission Order 11-095
16 (appendix A) in Docket UM 1484 imposing as a condition of approval of the merger a
17 requirement that CenturyTel/United annually submit Form O and Form I.
18 CenturyTel/United will submit a Form I every three years (next report due 2016). No
19 waiver of annual requirement for Form O. CenturyTel/United is not required to
20 provide regional information in the Form O, and will only be required to provide

1 Oregon-specific information in the Form O. CenturyTel/United is not required to file
2 certain schedules in the annual Form O, as set forth in the Plan.

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

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

10 Finally, several statutes relate to how a company must operate under rate-of-
11 return regulation. For example, ORS 759.200 specifies how amortizations of capital
12 investments must be accounted for in telecommunications rates. Because retail service
13 prices under the Plan are not established under a rate-of-return regulatory regime, this
14 statute may not be relevant to the manner in which rates are set. Several statutes fall
15 into this same general category, including: ORS 759.200 (amortizations), ORS 759.285
16 (charging rates based on cost of property not presently providing service), and ORS
17 759.300 through ORS 759.360 (issuance of securities).

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

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

- 4 • OAR 860-022-0025(2)(b) and (c) - Requirements for filing Tariffs or Schedules
5 Changing Rates.
- 6 • OAR 860-022-0030 - Requirements for Filing Tariffs or Schedules Naming
7 Increased Rates
- 8 • OAR 860-027-0015 – New Construction Budget
- 9 • OAR 860-027-0050 – Uniform System of Accounts for Large Telecommunications
10 Utilities.
- 11 • OAR 860-027-0052 – Allocation of Costs by a Large Telecommunications Utility.
- 12 • OAR 860-027-0100 – Reporting of Affiliated Transactions

13 **V. RECOMMENDATION**

14 **Q. What do CenturyTel/United , Staff and CUB recommend regarding the**
15 **Stipulation?**

16 A. CenturyTel/United, Staff and CUB recommend that the Commission issue an
17 Order approving the Stipulation and the Price Plan as soon as possible.

18 **Q. Does this conclude your joint testimony?**

19 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 1686

WITNESS QUALIFICATION STATEMENT

NAME: John M. Felz

EMPLOYER: CenturyLink

TITLE: Director – State Regulatory Operations

ADDRESS: 5454 W. 110th 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 1686

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.

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1686

In the Matter of the Petition of United Telephone Company of the Northwest, CenturyTel of Oregon, and CenturyTel of Eastern Oregon 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 United Telephone Company of the Northwest, CenturyTel of Oregon, and CenturyTel of Eastern Oregon ("CenturyTel/United" or "the Companies"), Public Utility Commission of Oregon Staff ("Staff"), the Citizens' Utility 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"). The parties may be referred to hereafter collectively as the "Joint Parties" or individually as a "Party."

2. The Joint Parties agree, or do not object, that approval of this Stipulation and the stipulated price plan attached hereto as Exhibit A (the "Price Plan") would satisfy 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 the terms related to that issue in the Price Plan.

BACKGROUND

3. Docket UM 1686 was opened to consider the Companies' Petition for Approval of a Price Plan Pursuant to ORS 759.255, filed on February 28, 2014. On April 28, 2014, CenturyLink asked the Commission to stay the procedural schedule in this case while the Commission considered a similar petition by Qwest Corporation d/b/a ("CenturyLink QC"), in Docket UM 1354, which involves issues common to this docket. A settlement conference that was noticed to both Docket No. UM 1354 and Docket No. UM 1686 was held on June 12, 2014. In reaching a settlement in principle on Docket No. UM 1354, it made a settlement in principle in Docket No. UM 1686 possible because of the common issues in the dockets. On July 8, 2014, a prehearing conference was held in UM 1686 to identify any additional potential parties to this docket.

AGREEMENT

4. Exhibit A sets forth the terms and conditions of the Price Plan the Joint Parties agree the Commission should approve. By executing this Stipulation, CenturyTel/United 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.

5. CenturyTel/United acknowledges and agrees that no rate, tax, term or condition in any interconnection agreement will change as a result of CenturyTel/United'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 CenturyTel/United may seek Commission approval of changes to any such rates in a generic cost docket. CenturyTel/United 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.

6. 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.

7. 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.

8. The Joint Parties agree not to oppose this Stipulation and the Price Plan as filed 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.

9. CenturyTel/United 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.

10. 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.

11. 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 unless independently discoverable or offered for other purposes allowed under ORS 40.190. 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.

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

13. 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

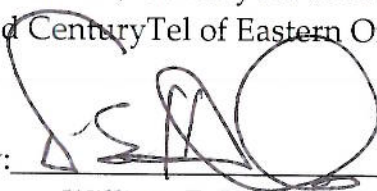
Date: _____

Public Utility Commission of Oregon Staff

By: _____
Jason W. Jones

Date: _____

United Telephone Company of the Northwest, CenturyTel of Oregon, and CenturyTel of Eastern Oregon

By:  _____
William E. Hendricks III

Date: 7/31/2014

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

By: _____
Sommer Templet

Date: _____

Public Utility Commission of Oregon Staff

By:  _____
Jason W. Jones

Date: 7/31/14 _____

United Telephone Company of the Northwest, CenturyTel of Oregon, and CenturyTel of Eastern Oregon

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: _____

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Public Utility Commission of Oregon Staff

By: _____
Sommer Templet

By: _____
Jason W. Jones

Date: _____

Date: _____

United Telephone Company of the Northwest, CenturyTel of Oregon, and CenturyTel of Eastern Oregon

Telecommunications Ratepayers Association for Cost-based and Equitable Rates

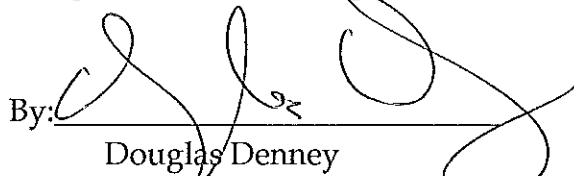
By: _____
William E. Hendricks III

By: _____
Arthur A. Butler
Of Attorneys for TRACER

Date: _____

Date: _____


Integra Telecom of Oregon

By: 
Douglas Denney

Date: 8/1/2014

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: _____

United Telephone Company of the Northwest, CenturyTel of Oregon, and CenturyTel of Eastern Oregon

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

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By: _____
Sommer Templet

Date: _____

United Telephone Company of the
Northwest, CenturyTel of Oregon,
and CenturyTel of Eastern Oregon

By: _____
William E. Hendricks III

Date: _____

Integra Telecom of Oregon

By: _____
Douglas Denney


Date: _____

**Public Utility Commission of
Oregon Staff**

By: _____
Jason W. Jones

Date: _____

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

By: 
Arthur A. Butler
Of Attorneys for TRACER

Date: 7/31/14

Price Plan Pursuant to ORS 759.255
CenturyTel of Oregon, Inc.
CenturyTel of Eastern Oregon, Inc.
and United Telephone Company of the Northwest
(“CenturyTel/United”)

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 CenturyTel/United (the Company) in Oregon pursuant to its tariffs or price list that were effective on May 19, 2014, or CenturyTel/United’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 CenturyTel of Oregon and CenturyTel of Eastern Oregon’s P.U.C. Or. No. 5 Tariff, Schedule 1, Sheet No. 1.6 and in United Telephone Company of the Northwest’s P.U.C. OR. No. 3 Tariff, Schedule AE-1, Sheets 3 and 3.1.

4. “Other Services” means any other residential or business services contained in CenturyTel/United’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. CenturyTel/United’s Price Plan, as 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 CenturyTel/United’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 CenturyTel/United and the Commission.
6. Maintain the availability of primary line basic service at affordable rates throughout the state.
7. Increase CenturyTel/United’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 CenturyTel/United 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 for United Telephone Company of the Northwest may increase a maximum of \$10 during the period of the Price Plan. Charges for the CenturyTel companies will be capped at pre-Plan rates for the term of the 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. CenturyTel/United 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 CenturyTel/United increases the recurring charge by more than \$4 over the term of the plan, CenturyTel/United 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. CenturyTel/United will continue to offer primary line residential and business basic service on a stand-alone basis.

2. Petition to remove or adjust price caps. CenturyTel/United may petition the Commission to remove or adjust the price caps for primary line residential basic service. CenturyTel/United will have the burden of showing that the removal or adjustment of the price caps for primary line residential basic service will result in

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Exhibit A – Price Plan

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. CenturyTel/United 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. CenturyTel/United will continue to offer customers all existing options, including measured EAS service combined with monthly flat rate service. CenturyTel/United 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 CenturyTel/United increases prices more than 25 percent over the term of the plan, CenturyTel/United 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 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, CenturyTel/United will not further deaverage beyond the existing (pre-Plan) rate groups. Existing dollar differences between rate groups will not increase. For all other services, CenturyTel/United will maintain the statewide average rates.
- 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.** CenturyTel/United 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

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Exhibit A – Price Plan

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. CenturyTel/United may petition the Commission separately for any proposed rate changes to intrastate special access services.
- O. Packages and Bundles.** CenturyTel/United 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.** CenturyTel/United 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

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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.

CenturyTel/United 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.

CenturyTel/United 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, CenturyTel/United 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. CenturyTel/United retains the ability to petition the Commission to exempt additional services from regulation under ORS 759.052.
- R. Promotions.** CenturyTel/United may offer promotions for primary line residential basic service and other regulated services pursuant to ORS 759.182 and 759.267.
- S. Service Quality.** CenturyTel/United will continue to be subject to the Retail Telecommunications Service Standards for Large Telecommunications Utilities identified in OAR 860-023-0055.
- T. Specific Commitments.**
 - a. **Service Performance Guarantees.** If the standard in 860-023-0055(4) - on a statewide basis, or 860-023-0055(6) – for any repair center, is missed for 3 months out of a 12 month rolling period, the Company will implement a service guarantee plan consistent with the terms of the plan adopted for CenturyLink QC in Order No. 08-408. If a service guarantee plan is required pursuant to this provision, a 90-day period will be

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Exhibit A – Price Plan

allowed to implement the plan through the companies' IT systems. 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 determining whether a service performance guarantee plan is required to be implemented. If the service performance guarantee program is implemented due to missing either of the standards, the program can be removed 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

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Exhibit A – Price Plan

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. CenturyTel/United’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. CenturyTel/United'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 CenturyTel/United annually submit Form O and Form I. CenturyTel/United will submit a Form I every three years (next report due 2016). No waiver of annual requirement for Form O.
- CenturyTel/United 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

- CenturyTel/United’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 CenturyTel/United’s Performance Under Price Plan.

Term: The Price Plan will extend for three years, with an option for CenturyTel/United to extend the Price Plan by an additional (fourth) year. No later than the end of the second year of the Price Plan, CenturyTel/United 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 CenturyTel/United has not exercised the full dollar amount of the cap(s).

Three-year review: CenturyTel/United’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 90th 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 CenturyTel/United'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 CenturyTel/United 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 CenturyTel/United 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 CenturyTel/United 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

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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, CenturyTel/United 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 CenturyTel/United'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. CenturyTel/United 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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20XX FORM I INPUT MASTER			
COMPANY NAME: <enter name>			
FCC Account and Description	Note No.	Line No.	Total Oregon Operations Subject To Separations
DETAIL			(Note 1)
PLANT IN SERVICE			
21XX General Support Facilities		1	0
22XX Central Office Equipment:			
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
Total COE		14	0
23XX Information Orig./Term. Equipment:			
CAT 1-Regulated CPE		15	0
Other IOT		16	0
Total IOT		17	0
24XX Cable & Wire Facilities:			
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
Total C&WF		26	0
26XX Other Assets:			
Capital Leases		27	0
Leasehold Improvements		28	0
Intangibles		29	0
Total Other Assets		30	0
Total Telecom. Plant in Service		31	0

CERTIFICATE OF SERVICE
VIA E-MAIL TRANSMISSION

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I hereby certify that on the 1st day of August, 2014, a true and correct copy of the foregoing **JOINT TESTIMONY, WITNESS QUALIFICATION STATEMENTS, AND STIPULATION** in the above entitled docket, was served upon the following persons via means of e-mail transmission to the e-mail addresses listed below.

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DATED this 1st day of August, 2014.

CENTURYLINK



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