

**BEFORE THE PUBLIC UTILITY COMMISSION**  
**OF OREGON**  
UM 1908

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

AMENDED JOINT PETITION FOR PRICE PLAN

Qwest Corporation d/b/a CenturyLink QC (“CenturyLink QC”), United Telephone Company of the Northwest d/b/a CenturyLink (“United”), CenturyTel of Oregon d/b/a CenturyLink (“CTL Oregon”), and CenturyTel of Eastern Oregon d/b/a CenturyLink (“CTL Eastern Oregon”) (collectively “CenturyLink”), respectfully file this Amended Joint Petition for approval of a price plan. CenturyLink is amending the original petition it filed on October 22, 2017, at the direction of the Commission in its order on November 27, 2017. CenturyLink has removed its request for exemption under ORS 759.052, which it can refile in a separate petition according to the November 27 order.

CenturyLink seeks a price plan (“2018 Plan”, *see* Exhibit A) that will replace the two Price Plans the Commission approved in October of 2014 in Orders No. 14-345 and 14-347 (“2014 Plans”). Compared to the 2014 Plans, the 2018 Plan would provide additional regulatory flexibility to help CenturyLink meet the intense and increasing competition it is facing in its retail markets. CenturyLink also filed Price Plan Reports (“Reports”), on January 4 and 6, 2017 in Dockets UM 1354 and UM 1686 respectively. They outline CenturyLink’s performance

1 under the 2014 Plans. In addition, CenturyLink attaches information that will help to explain the  
2 increasing competitive pressures that CenturyLink faces throughout Oregon. *See* Exhibit B.

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

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

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

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

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### 19 I. PETITIONER INFORMATION

#### 20 A. Name and Address

21 Petitioner's name and address are:

22 CenturyLink  
23 310 SW Park, 11th Floor  
24 Portland, OR 97205  
25  
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3 **B. Communications and Notices**

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

4 Tre Hendricks  
5 Senior Corporate Counsel  
6 CenturyLink  
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13 **II. PROCEDURAL BACKGROUND**

14 In Order No. 14-346, Docket UM 1354, the Commission adopted a three-year price plan  
15 for Qwest Corporation, d/b/a CenturyLink QC. As part of that price plan, CenturyLink QC was  
16 given the option to extend the plan for a fourth year—on the condition that if the company  
17 elected to extend the plan it would be required to petition the Commission for a new form of  
18 regulation no later than the end of the third year of the Price Plan. Similarly, in Docket UM  
19 1686, Order No. 14-347, the Commission adopted a three-year Price Plan for United, CenturyTel  
20 of Oregon and CenturyTel of Eastern Oregon (collectively “CenturyTel/United”).

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

25 On September 14, 2017, CenturyLink filed a request for extension of time to petition the  
26 Commission for new forms of regulation. CenturyLink requested a three-week extension of time  
to October 23, 2017, which the Commission granted on October 3, 2017, in Order Nos. 17-380  
and 17-381.

### III. THE CURRENT PRICE PLANS

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

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

The Price Plans themselves permit future modifications, stating:

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

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

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

Petition to remove or adjust price caps. [CenturyLink QC, United and Centurytel] may petition the Commission to remove or adjust the price caps for primary line residential basic service. [CenturyLink QC, United and Centurytel] 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

1 consider whether removal or adjustment of the price caps is in the public interest,  
2 considering the factors set forth in ORS 759.255(2). 2014 Plans, section B.2.

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

4 On September 8, 2017, the Commission's Staff ("Staff") filed its Three Year Review  
5 Reports of the 2014 Plans in Docket Nos. UM 1354 and UM 1686. In both reviews of the Price  
6 Plans, the Commission adopted the Staff's conclusions:

7 Staff concludes that the Price Plan met or will meet the Commission's Price Plan  
8 statutory review criteria: 1) Ensuring prices for telecommunications services that  
9 are just and reasonable; 2) Ensuring high quality of existing telecommunications  
10 services and makes new services available; 3) Maintaining the appropriate balance  
11 between the need for regulation and competition and 4) simplifying regulation.<sup>1</sup>

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

15 **IV. COMPETITION NECESSITATES THE PROPOSED RELIEF**

16 CenturyLink continues to face robust competition throughout its service territory in  
17 Oregon that continually erodes CenturyLink's customer base and revenues. Traditional  
18 competitors such as Comcast, Charter and BendBroadband, the major cable companies serving  
19 much of CenturyLink's Oregon territory including most of the major cities and towns, along with  
20 Competitive Local Exchange Carriers ("CLECs") (such as Integra, XO, AT&T, and Verizon)  
21 continue to aggressively compete with and win market share from CenturyLink. At the same  
22 time, mobile voice services from wireless companies such as AT&T, Verizon, Sprint and T-  
23 Mobile, and Voice over Internet Protocol ("VoIP") services from companies like Vonage and  
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26 <sup>1</sup> Docket No. UM 1354, Order No. 17-379, Docket No. UM 1686, Order No. 17-378.

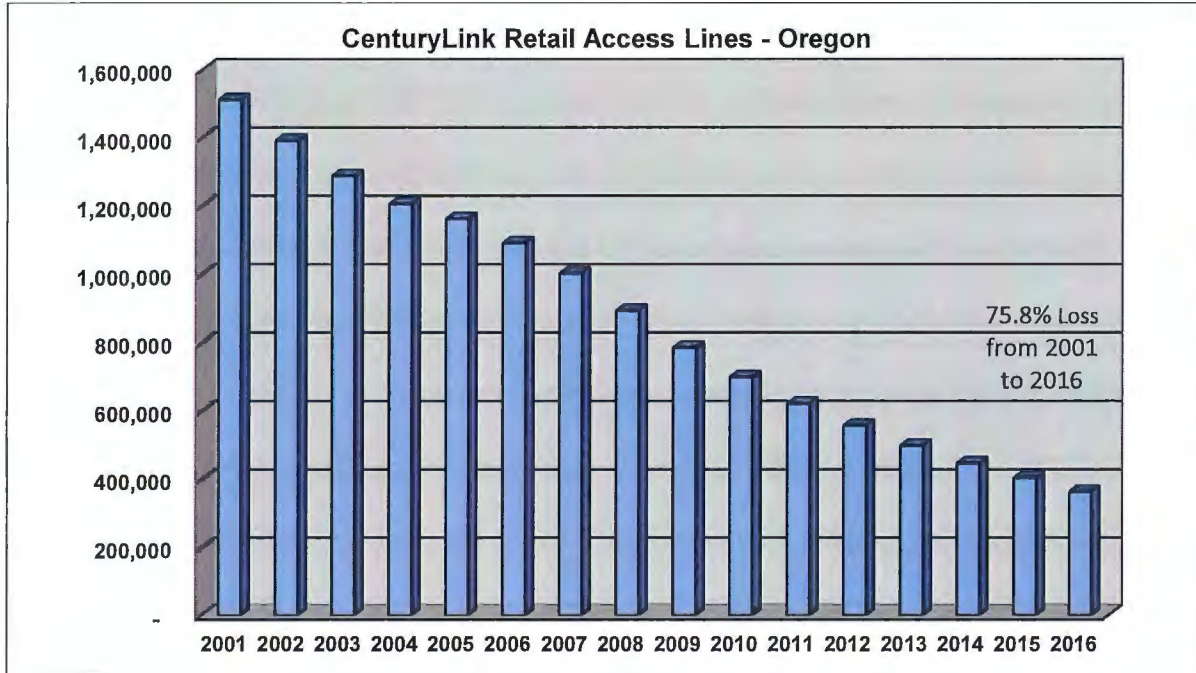
1 Google, have gained a significant share of the telecommunications market in the state. Oregon  
2 consumers and businesses have numerous alternatives to satisfy their local voice calling needs,  
3 whether that be from a wireless service provider or through VoIP over other broadband providers  
4 networks. The Oregon telecommunications market is competitive, and it is reasonable to  
5 conclude that the availability of persistent, highly effective competitive alternatives will continue  
6 as new technologies are developed and customer preferences evolve.

7 Some of these competitors offer services to customers by purchasing wholesale services  
8 from CenturyLink (including unbundled network elements, CenturyLink Local Services Platform  
9 (“CLSP”), Special Access, and the resale of CenturyLink’s retail services) while many other  
10 competitors, including cable providers, wireless carriers and certain CLECs, offer services to  
11 customers over their own facilities. In the fifteen years between December 2001 and December  
12 2017 CenturyLink’s Oregon retail access lines declined 75.8%, from 1.511 million to .365  
13 million.<sup>2</sup> In the first three years of the 2014 Plans CenturyLink retail access lines declined 26%  
14 from 455,368 lines in October of 2014 to 336,838 lines in September of 2017.<sup>3</sup> The following  
15 graph charts CenturyLink’s year-end retail access line count over the past 16 years.  
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24 <sup>2</sup> Residential retail access lines dropped 80% and business retail access lines dropped 66% over  
25 this time frame.

26 <sup>3</sup> Residential retail access lines dropped 29.3% and business retail access lines dropped 20.8%  
over this time frame.



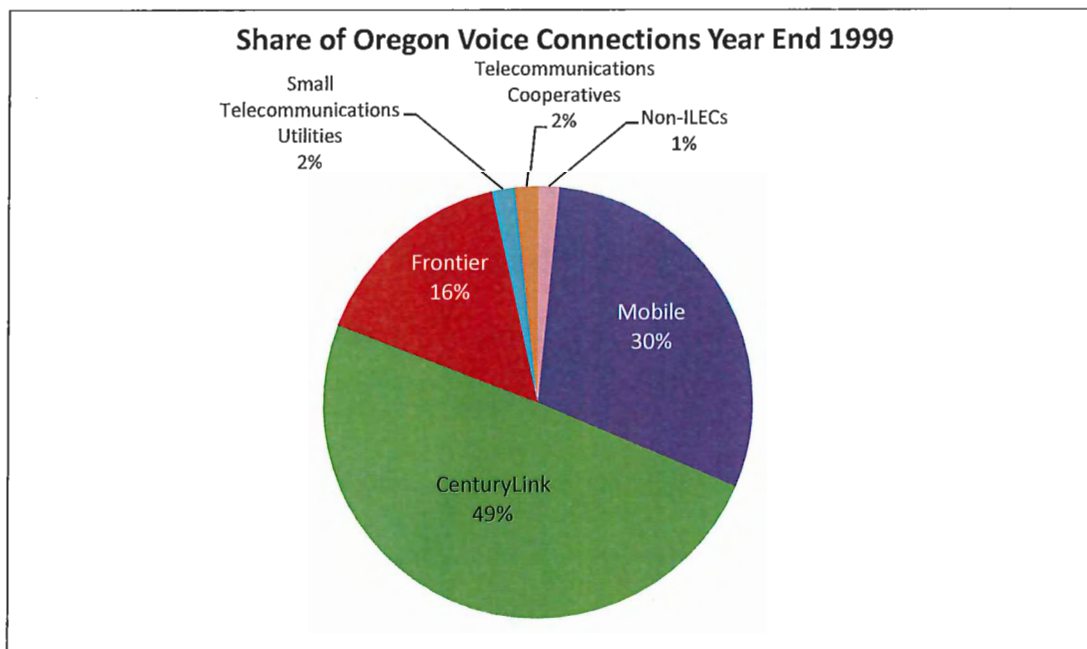
Over the period of CenturyLink’s access line decline, U.S. Census data show significant increases in both Oregon population and Oregon households. Over the fifteen years ended July 2016 Oregon’s population increased by 18% from 3,467,937 in July 2001 to 4,093,465 in July 2016<sup>4</sup> and the number of Oregon households increased by 17% from 1,480,893 in July 2001 to 1,732,786 in July 2016.<sup>5</sup> Incorporating Oregon’s 18% population increase in the measurement of CenturyLink’s competitive losses requires multiplying CenturyLink’s 75.8% Oregon access line loss by 118% which yields a population-growth-adjusted competitive loss of nearly 90%.

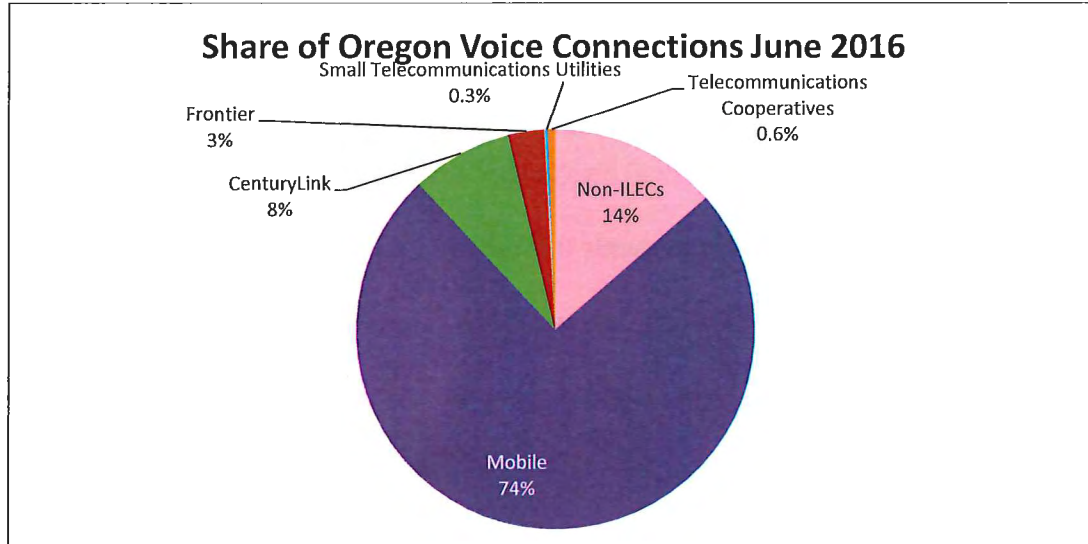
<sup>4</sup> US Census Bureau; See: <https://www2.census.gov/programs-surveys/popest/tables/2000-2010/intercensal/state/st-est00int-01.xls> and [https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP\\_2016\\_PEPANNR\\_ES&src=pt](https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2016_PEPANNR_ES&src=pt)

<sup>5</sup> US Census Bureau; See: <https://www2.census.gov/programs-surveys/popest/tables/2000-2010/intercensal/housing/hu-est00int-01.xls> and [https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP\\_2016\\_PEPANNR\\_ES&src=pt](https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2016_PEPANNR_ES&src=pt)



1 Every six months the FCC compiles voice connection data for the following providers:  
2 CLECs (such as Comcast, XO and Integra); Wireless providers (such as Verizon, AT&T, T-  
3 Mobile and Sprint); and Incumbent Local Exchange Carriers (“ILECs” such as CenturyLink,  
4 CenturyTel and Frontier). The FCC presents this data in its *Voice Telephone Services Reports*.  
5 These reports demonstrate how CenturyLink and other ILECs’ share of the voice market in  
6 Oregon has shrunk as customers have migrated from the ILECs to cable, wireless, CLEC and  
7 VoIP service providers. The following two charts chronicle the change in the share of voice  
8 connections in Oregon.  
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The charts show wireless providers' share (including residence and business lines) grew from 30% in 1999 to 74% in 2016. The non-ILEC share grew from 1% in 1999 to 14% in 2016. The ILEC share (CenturyLink, Frontier, Coops and Rural ILECs) shrank from 69% in 1999 to 11.9% in 2016.<sup>6</sup> Plain and simple, customers have resoundingly chosen broadband and mobility, not CenturyLink's and other ILECs' plain old telephone service.

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

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In addition, satellite providers now offer voice service that meet the FCC's criteria for receiving CAF II auction funding.<sup>7</sup> Satellite voice service is offered using two methods. The

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

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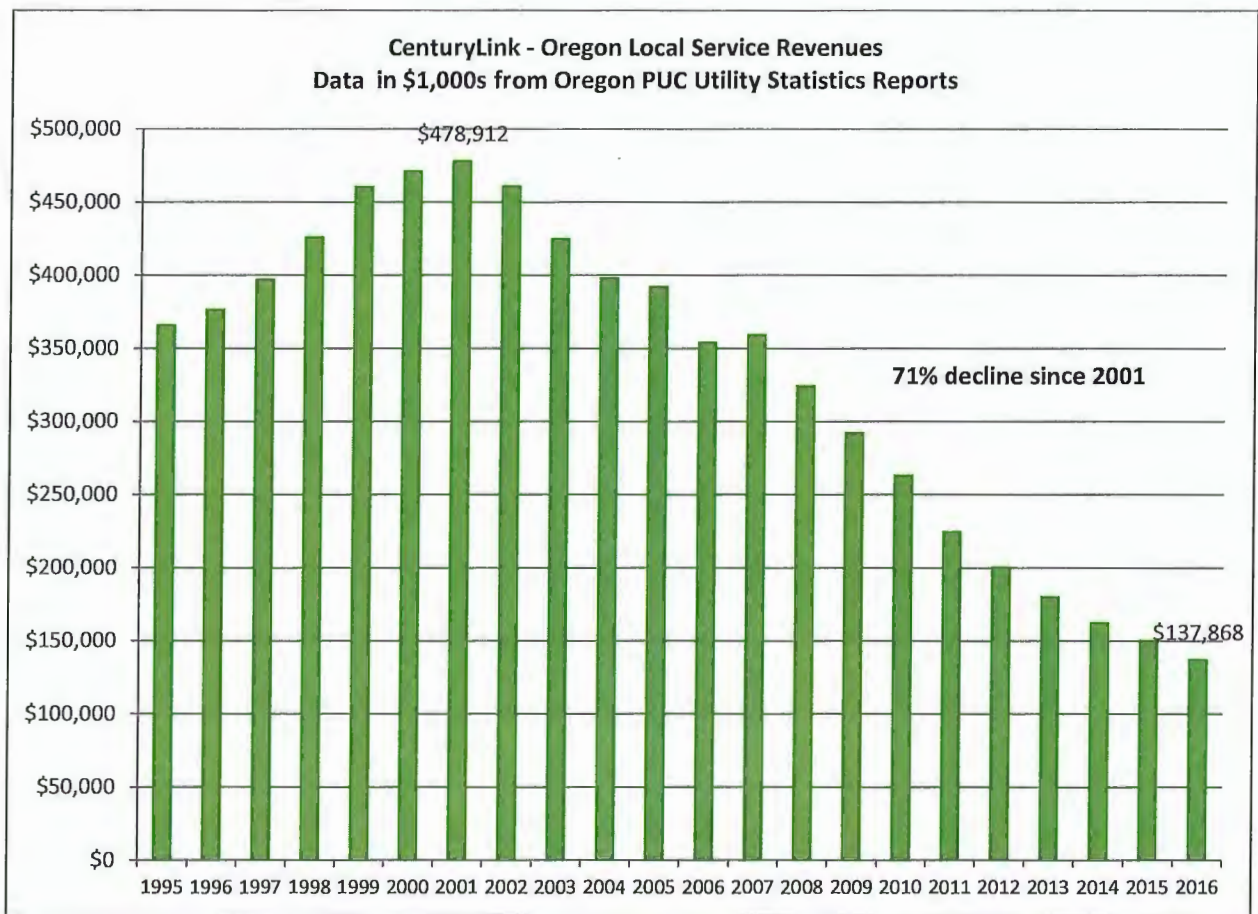
<sup>7</sup> FCC 17-12, Report and Order and Order on Reconsideration toward implementing CAF II Auction, paragraph 31, footnote 70.

1 first is like traditional cellular wireless service. The primary difference is the distance to the  
2 network connection. For mobile wireless service, the cell tower connection is within the local  
3 area of the wireless handset. As a wireless user moves from one cell site's coverage area to  
4 another, the call is handed off so there is no call disconnection. A satellite voice call works  
5 similarly, but the network connection to a satellite is hundreds or thousands of miles in the sky.  
6 Satellite voice service has been improving rapidly over the past decade and with the newest  
7 generation of satellite hardware/software, it is a functionally equivalent substitute to landline  
8 voice service, although prices tend to be higher. There are several satellite voice providers,  
9 including ViaSat, GlobalStar and EchoStar.  
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11 The other type of satellite voice service is "home-based" satellite service that is delivered  
12 using VoIP on the satellite providers broadband network. It is functionally equivalent to  
13 CenturyLink's voice service and is offered at reasonably comparable rates and terms. For this  
14 type of service, the customer subscribes to broadband and voice service from Exede (a subsidiary  
15 of ViaSat) or HughesNet (a subsidiary of EchoStar), or any other provider that offers a  
16 broadband connection. Voice service is provided through an adapter using the existing phone  
17 jacks in the house, allowing the consumer to use their existing wired or cordless phones. The  
18 adapter sends voice calls through the system's modem to the dish attached to the house and on to  
19 the satellite. The satellite communicates with an earth base station that connects to the internet  
20 and to the Public Switched Telephone Network. This type of satellite voice is part of the  
21 services offered with the more recent generations of satellites and base station software and data  
22 connections.  
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1 With the addition of the in-home adapters and the connection to the modem for  
2 communication to the satellite, voice service latency (delay) has been minimized, which allows  
3 voice service to be provisioned in a manner that is virtually indistinguishable from landline voice  
4 service. And with the improvement in satellite services, voice service from over-the-top VoIP  
5 providers across satellite broadband service is now available. The satellite voice service rates are  
6 competitive with other types of providers, and over-the-top VoIP service also works over the  
7 satellite broadband connection. Thus, even in the most remote, very high cost areas in Oregon  
8 there are viable alternatives to CenturyLink's voice services that are functionally equivalent or  
9 substitutable at comparable rates and under comparable terms and conditions.  
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11 Unsurprisingly, CenturyLink's access line decline has been accompanied by  
12 commensurate revenue declines, particularly in local service revenue. The following graph  
13 charts CenturyLink's annual local service revenue over the past 22 years.  
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16 The graph shows that in the 15 years since 2001 CenturyLink’s annual local service revenues  
17 have declined by \$334 million. During this same 15-year period, all other CenturyLink annual  
18 revenues declined \$134 million for a total decline of \$468 million.

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20 **V. ADDITIONAL REGULATORY RELIEF IS NECESSARY**

21 Few of CenturyLink’s competitors are regulated by the Oregon Public Utilities  
22 Commission, and none are regulated as heavily as CenturyLink. Regulation imposes additional  
23 costs borne by CenturyLink but not its competitors. Regulation limits CenturyLink’s ability—but  
24 not its competitors’ ability—to respond to a dynamic, ever changing marketplace. For example,  
25 under regulation CenturyLink must continue to expend substantial resources to provide plain old  
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1 telephone service (POTS) while its competitors devote their resources exclusively to satisfying  
2 actual customer demand which is for mobile voice and data and high speed internet service that  
3 can provide voice as an “application.” So, while wireless providers and cable VoIP providers are  
4 not subject to regulation, CenturyLink remains constrained in the prices it can charge, and the  
5 terms and conditions under which it can offer service.

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

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

24 In Oregon however, the Oregon Universal Service Fund (OUSF) never acted as a subsidy  
25 for CenturyLink QC in high cost areas. In fact, the OUSF has done nothing but financially harm  
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1 CenturyLink QC. When the Commission first established the OUSF for CenturyLink QC it  
2 provided (in 2002) \$27 million of annual support but required Century QC to reduce its revenues  
3 through rate reductions for business services by an amount equal to the new OUSF support. So,  
4 at inception, the OUSF provided CenturyLink QC no net increase in revenue.<sup>8</sup> Since then,  
5 CenturyLink QC's annual draw from the OUSF has declined to \$9 million (in 2017). So, to date,  
6 the OUSF has served only to reduce CenturyLink QC's annual revenues by \$18 million (a figure  
7 unadjusted for 15 years of inflation) even as competition took most of CenturyLink's access lines  
8 and local service revenues and, with them, CenturyLink's ability to recover the costs of  
9 providing service to customers in high cost areas. In 2017, CenturyTel and United will receive  
10 approximately \$5 million of OUSF support. As a result, the overall net benefit of the OUSF to  
11 CenturyLink in 2017 was actually a negative \$13 million (negative \$18 million for Qwest plus  
12 positive \$5 million for CenturyTel and United).

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

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

- 16 (2) Prior to granting a petition to approve a plan under subsection (1) of this section,  
17 the commission must find that the plan is in the public interest. In making its  
18 determination the commission shall consider, among other matters, whether the  
19 plan:
- 20 (a) Ensures prices for telecommunications services that are just and  
reasonable;
  - 21 (b) Ensures high quality of existing telecommunications services and makes  
new services available;
  - 22 (c) Maintains the appropriate balance between the need for regulation and  
competition; and
  - 23 (d) Simplifies regulation.
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25 <sup>8</sup> OPUC Order No. 00-312, Issue 12, pp. 28-29.

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

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24 <sup>9</sup> ORS 759.255 grants the Commission only limited authority to waive a limited set of regulatory  
25 requirements. In order to meet the crushing competition that CenturyLink faces in Oregon, CenturyLink  
26 needs additional relief and therefore may still seek relief at a later date under



VII. CONCLUSION

For the foregoing reasons, CenturyLink respectfully requests that the Commission approve the proposed price plan modifications as set forth in Exhibit A without changes or conditions.

Dated: 26<sup>th</sup> day of December 2017.

Respectfully submitted



By: \_\_\_\_\_

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

**Docket No.**

**Exhibit A**

**1) Definitions:**

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

**2) General Objectives:**

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

**3) Term of Plan and Commission Review:**

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

- iii) Identification of any ways in which the burden of regulation for both CenturyLink and the Commission has been simplified or reduced during the four-year period and
- iv) Any recommendations for further simplification or reductions in regulation that CenturyLink would like to make.

4) Pricing and Availability of Services under the Plan:

- a) During the term of the Plan the rates, terms and conditions that CenturyLink charges under its approved tariffs and price lists are just and reasonable and will be its published terms as of the effective date of the Plan.

- i) Pricing:

- (1) Non-recurring charges for residential and business primary line service.

- (a) Charges will not be subject to price caps.

- (2) Recurring charges for residential service

- (a) CenturyLink will not further deaverage rates for primary line basic residential service.

- (b) Recurring rates for primary line basic residential service may not increase by more than the greater of 10% or \$3.00 in any twelve-month period.

- (c) Rates for existing extended area service (EAS) are capped at current rates. For billing purposes, CenturyLink may combine EAS and the rate for residential service into a single rate. CenturyLink will not be required to establish any new or expanded EAS routes.

- (d) Prices for all other residential services will not be subject to price caps.

- (e) CenturyLink may restrict the availability of residential measured services to existing customers and is not required to take new subscribers for this service. CenturyLink may petition the Commission to discontinue this service.

- (i) Monthly rates for the line component of measured residential service are subject to a price cap benchmark equal to 90% of CenturyLink's flat rate primary line basic residential service for the same wire center.

- (3) Recurring charges for all business services

- (a) Charges will not be subject to price caps.

5) Telephone Assistance Plans.

- a) CenturyLink will participate in the Oregon Telephone Assistance Plan in accordance with Oregon statutes and rules.

6) E911 Services:

- a) Rates will remain at existing levels upon adoption of the Plan. CenturyLink may petition the Commission separately for any proposed changes or price structures.

7) Switched Access Rates:

- a) Rates for intrastate switched access services will be capped at current rates and the Commission may adjust the price caps if required by FCC action.

8) DS-1 and ISDN-PRI Services:

- a) Rates for DS-1, DS-3 and ISDN-PRI services will not be subject to price caps.
- 9) New Services:
- a) Any new service introduced after the effective date of the Plan will not be subject to price caps.
- 10) Packages and Bundles:
- a) CenturyLink may combine any regulated telecommunications service with any other service(s) to offer packages and bundles of services, which may include primary line basic residential service and EAS, at prices, terms and conditions determined by the company.
  - b) CenturyLink is not required to state on customer bills late payment charges on regulated telecommunications services separately from late payment charges on other services so long as the late payment rate is the same for both.
- 11) Intrastate Special Access:
- a) Nothing in this Plan affects existing intrastate special access services. CenturyLink may petition the Commission separately for any proposed rate changes to intrastate special access services.
- 12) Non-Controllable Cost Recovery:
- a) When an Oregon local government requires CenturyLink to convert telecommunications facilities at CenturyLink's expense, CenturyLink may collect the total actual conversion costs from Oregon customers as a separate line item on customer bills.
  - b) CenturyLink may pass through as a separate line item on all customer bills the total amount of all unreimbursed facility relocations costs for any relocation projects required by governmental bodies or agencies, consistent with the authority granted to the Commission under the statute.
  - c) CenturyLink may pass through as a separate line item on all customer bills the total costs of complying with OAR 860-024-0011. Compliance costs may include, but are not limited to, the use of third party contractors.
- 13) Recovery of Mandatory Taxes and Fees:
- a) Following 30-days' notice to customers and the Commission, CenturyLink may recover any public utility privilege tax as a pro rata charge equal to the rate imposed by the municipality and shown as a separate line item on all applicable customer bills.
  - b) If any county in Oregon, other than a city-county, imposes upon CenturyLink any taxes or license, franchise, or operating permit fees, or increases any such taxes or fees, CenturyLink may, following 30 days' notice to customers and the Commission, collect from its customers within the county imposing such taxes or fees the amount of the taxes or fees, or the amount of increase in such taxes or fees. If the taxes or fees cover the operations of CenturyLink in only a portion of a county, then CenturyLink may recover the amount of the taxes or fees or increase in the amount thereof from customers in the portion of the county which is subject to the taxes or fees. "Taxes," as used in this subsection, has the same meaning as "taxes" in OAR 860-022-045.
  - c) CenturyLink may recover as a separate line item on all customer bills any new or increased state or local tax including but not limited to any tax that may be based on revenue, margin, commercial activities or privilege to which CenturyLink may become subject to during the term of the Plan.

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

14) Exogenous change adjustments:

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

15) Notice of tariff and Price List changes:

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

16) Services exempt from regulation:

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

17) Promotions:

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

18) Service Quality:

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

19) Reporting:

- a) Form O - CenturyLink will continue to file with the Commission Form O annually as described below.
  - i) CenturyLink's Form O will include Oregon-specific information.
  - ii) CenturyLink's Form O will not include regional information.
  - iii) CenturyLink's Form O will include all Form O schedules except:
    - B-2. Analysis of Depreciation and Amortization;

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

20) Carrier of last resort (COLR) obligations

- a) CenturyLink is permitted to file revisions to its tariffs and price lists whereby applicants for service are required to pay all line extension costs, including the cost of necessary easements, before CenturyLink will extend service.
- b) Following 60 days' notice to all customers of the service to be abandoned, and without Commission approval, CenturyLink is permitted to abandon any service except primary line basic residential service and any service that allows access to the emergency 9-1-1 reporting system.

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

- a) Waiver - Pursuant to ORS 759.255(5) CenturyLink's compliance with the following statutes and the Commission rules implementing these statutes, is waived in full:
  - ORS 759.120 Form and manner of accounts prescribed by Commission;
  - ORS 759.125 Records and accounts prescribed by Commission; prohibition on other records or accounts; exception; blanks for reports;
  - ORS 759.130 Closing date of accounts; filing balance sheet; audit;
  - ORS 759.135 Depreciation accounts; un-depreciated investment allowed in rates; conditions;
  - ORS 759.180 Hearing on reasonableness of rates; procedures; exceptions;
  - ORS 759.182 Rate schedules for service promotions; rules
  - ORS 759.185 Suspension of rates pending hearing; time limitation; refund of revenue collected; interim rates;
  - ORS 759.190 Notice of Schedule Change;
  - ORS 759.195 Price listing of services; conditions; maximum rates; essential services; justification by utility of rates for price-listed services;
  - ORS 759.200 Inclusion of amortizations in rates; deferral of certain expenses or revenues; limitation on amounts; prohibited uses;
  - ORS 759.205 Conformance of rates charged with schedule;

- ORS 759.215 Public access to schedules;
  - ORS 759.220 Joint rates and classifications; procedure; considerations;
  - ORS 759.285 Charging rates based on cost of property not presently providing service;
  - ORS 759.300 to ORS 759.360 - Issuance of Securities; and
  - ORS 759.375 to 759.393 Transactions of Utilities.
- b) Rules - Pursuant to waiver authority the Commission has granted itself in each Division of the Commission's rules, CenturyLink's compliance with the following rules is waived in full, unless a partial waiver is noted:
- OAR 860-021-0126 Late-Payment Charge;
  - OAR 860-021-0200 Establishing Credit for Residential Utility Service;
  - OAR 860-021-0206 Payment Arrangements for Deposit and Installation Charges for Residential Telecommunications Utility Service;
  - OAR 860-021-0210 Interest on Deposits for Residential and Nonresidential Utility Service;
  - OAR 860-021-0320 Disconnection of Service on Weekends and Holidays;
  - OAR 860-021-0610 Telephone Solicitation Notices by Large Telecommunications Utilities;
  - OAR 860-021-0620 Customer Notification and Information Delivery Services for Large Telecommunications Utilities;
  - OAR 860-022-0019 General Rate Revisions;
  - OAR 860-022-0025 Requirements for Filing Tariffs or Schedules Changing Rates;
  - OAR 860-022-0030 Requirements for Filing Tariffs or Schedules Naming Increased Rates;
  - OAR 860-022-0035 Special Contracts;
  - OAR 860-022-0042 Relating to City Privilege Taxes, Fees, and Other Assessments Imposed Upon a Large Telecommunications Utility<sup>1</sup>;
  - OAR 860-022-0045 Relating to Local Government Fees, Taxes, and Other Assessments Imposed Upon an Energy or Large Telecommunications Utility<sup>2</sup>;
  - OAR 860-022-0046 Forced Conversion of Electric and Communication Facilities<sup>3</sup>;
  - OAR 860-022-0047 Recovery of Certain Facility Relocation Costs<sup>4</sup>.
  - OAR 860-023-0005 Maintenance of Plant and Equipment by Energy Utilities, Large Telecommunications Utilities, and Intrastate Toll Service Providers in wire centers not fully supported by Oregon Universal Service Fund support;
  - OAR 860-025-0055 Exemption from Carrier of Last Resort (COLR) Obligations;<sup>5</sup>
  - OAR 860-025-0060 Reinstatement of Carrier of Last Resort (COLR) Obligations;<sup>6</sup>
  - OAR 860-025-0065 Allocation of Carrier of Last Resort (COLR) Reinstatement Costs;<sup>7</sup>
  - OAR 860 Division 26 Sales Promotions;
  - OAR 860-027-0016 Accounting for Director's Fees;
  - OAR 860-027-0030 through OAR 860-027-0052;
  - OAR 860-027-0070 Annual Report Requirements for Electric, Large Telecommunications, Gas, and Steam Heat Utilities except as provided in section 19 of this Plan;<sup>8</sup>

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<sup>1</sup> To facilitate subsection 13(a) of this Plan

<sup>2</sup> To facilitate subsection 13(b) of this Plan

<sup>3</sup> To facilitate subsection 12(a) of this Plan

<sup>4</sup> To facilitate subsection 12(b) of this Plan

<sup>5</sup> To facilitate section 20 of this Plan

<sup>6</sup> To facilitate section 20 of this Plan

<sup>7</sup> To facilitate section 20 of this Plan

<sup>8</sup> To facilitate subsections 19(a) and 19(b) of this Plan

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

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<sup>9</sup> To facilitate subsection 19(c) of this Plan

<sup>10</sup> To facilitate subsection 20(c) of this Plan

<sup>11</sup> To facilitate subsections 19(a) and 19(b) of this Plan

<sup>12</sup> To facilitate subsections 19(a) and 19(b) of this Plan



October 23, 2017



Century**Link**<sup>TM</sup>

EXHIBIT B  
Oregon Telecommunications Competition and Regulation



# Preference for Mobile and Non-ILECs Nationwide

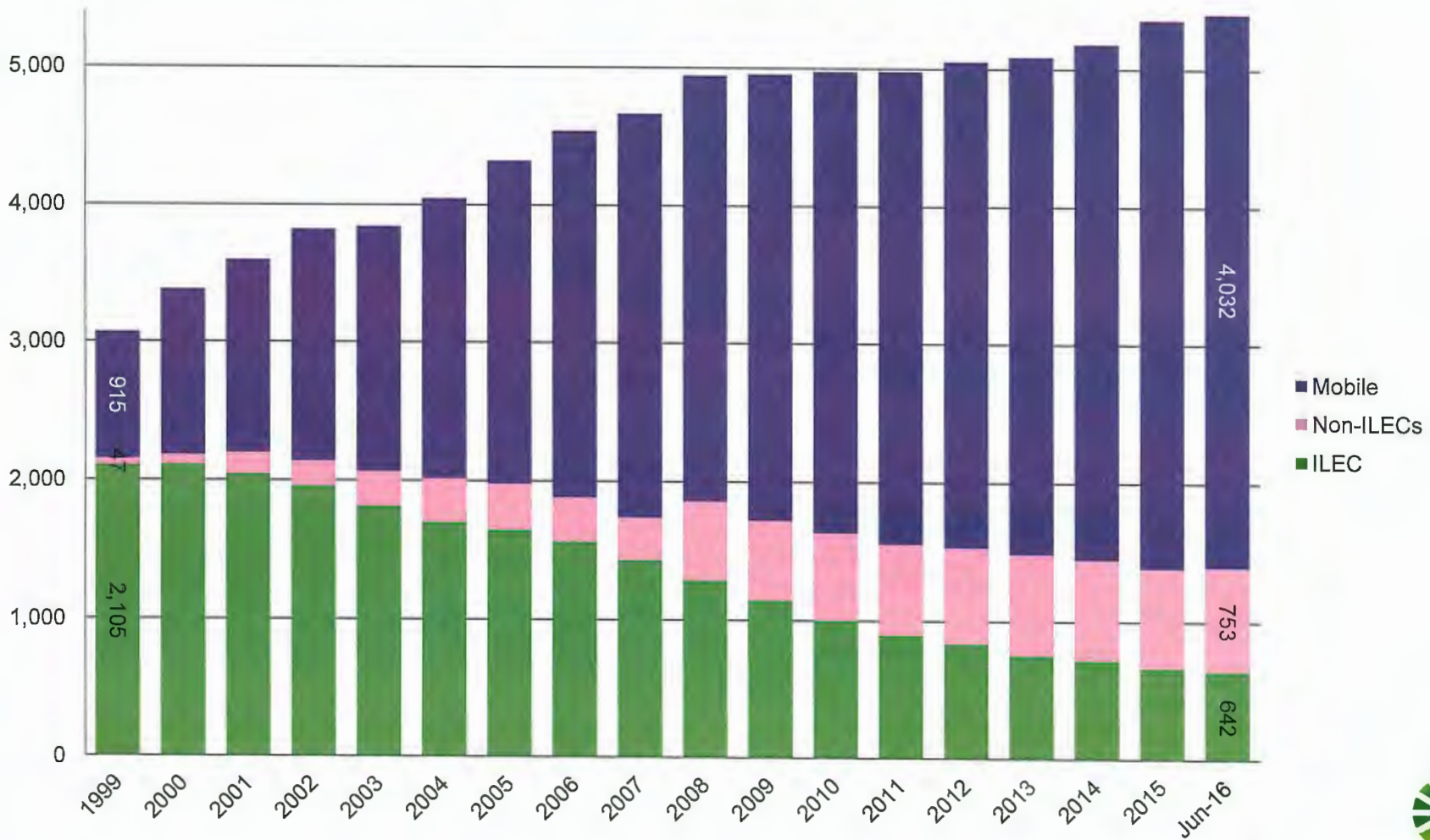
## National Voice Subscriptions

in 000,000s Source: FCC Reports



# Mobile and Non-ILEC Preference Stronger in Ore

**Oregon Voice Subscriptions**  
in 000's      Source: FCC Reports



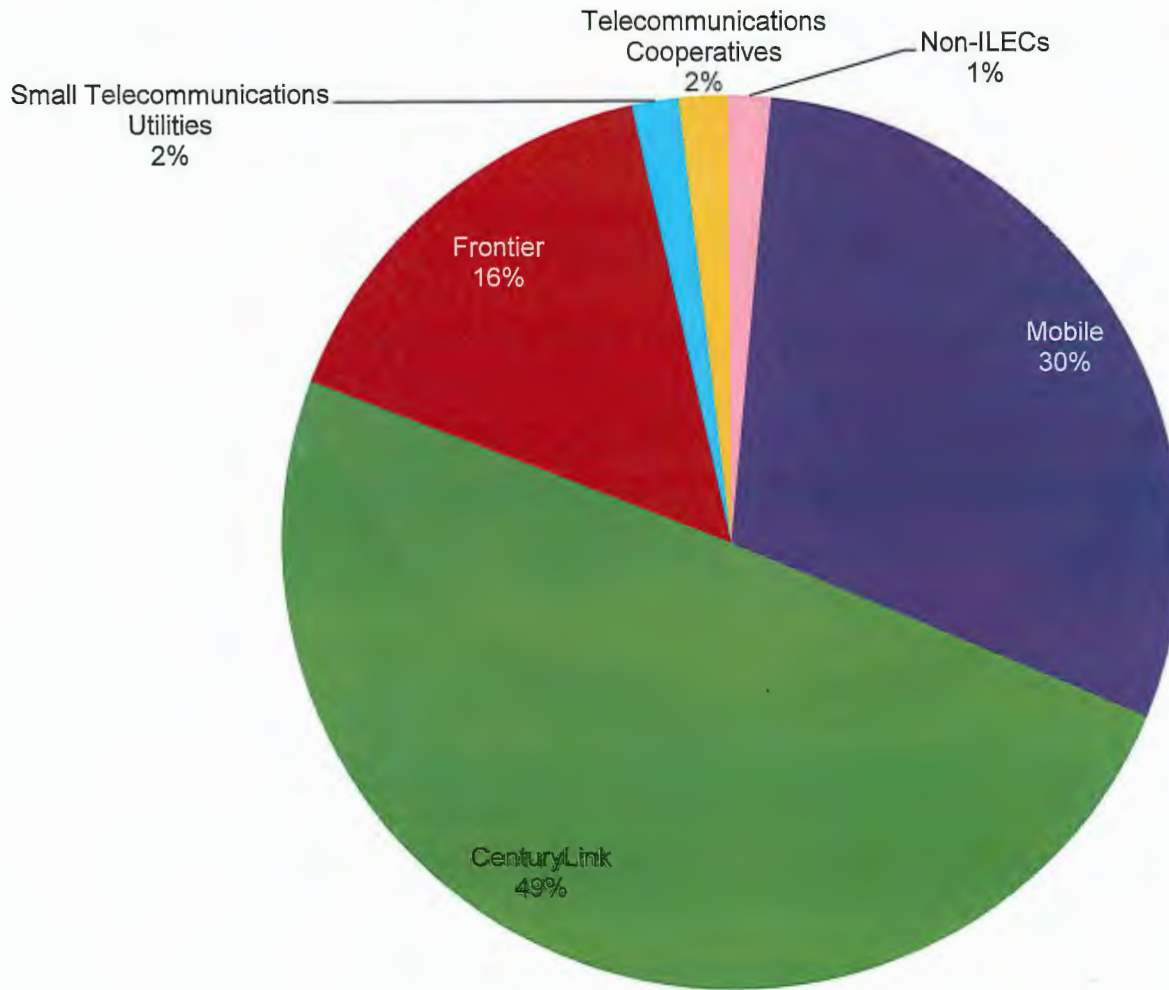
# Oregon Consumers Chose Non-ILECs over ILECs

**All Wireline**  
Oregon Access Lines per FCC Reports



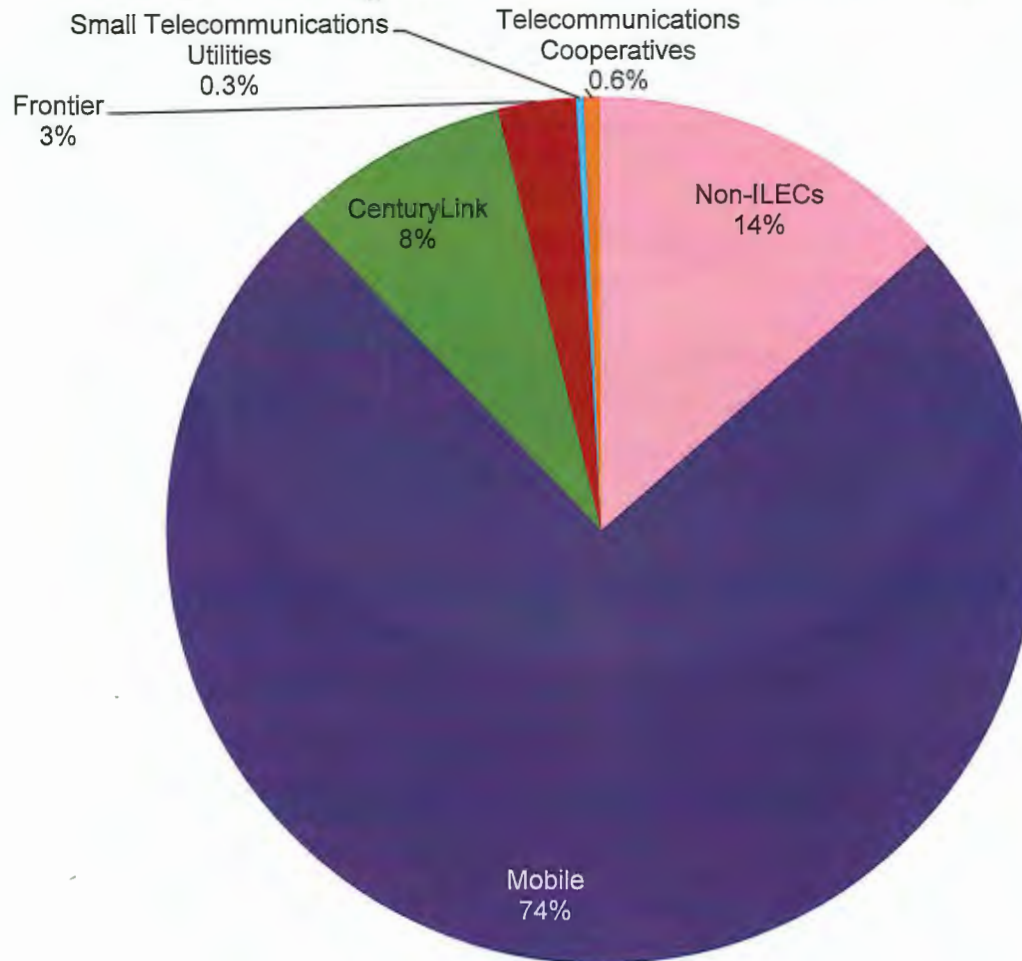
# 1999 Oregon Voice Shares (per FCC and PUC)

## Share of Oregon Voice Connections Year End 1999



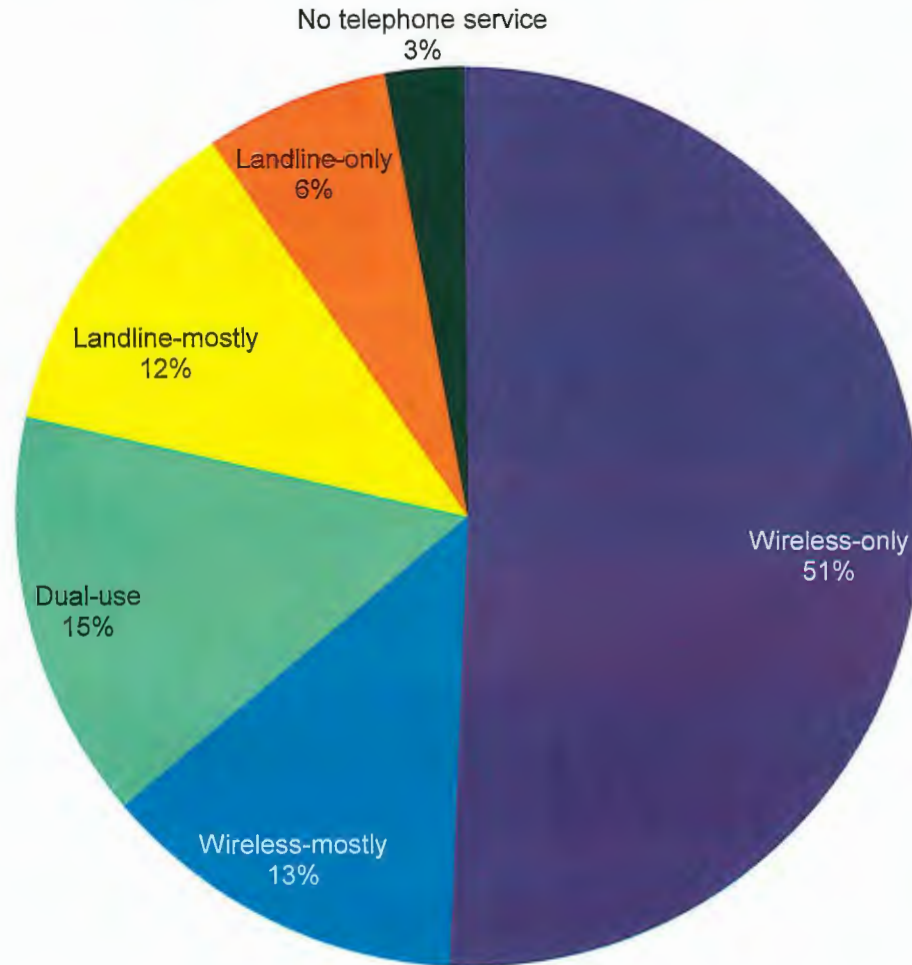
# June 2016 Oregon Voice Shares (FCC and PUC data combined)

## Share of Oregon Voice Connections June 2016



# Oregonians are mostly wireless

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



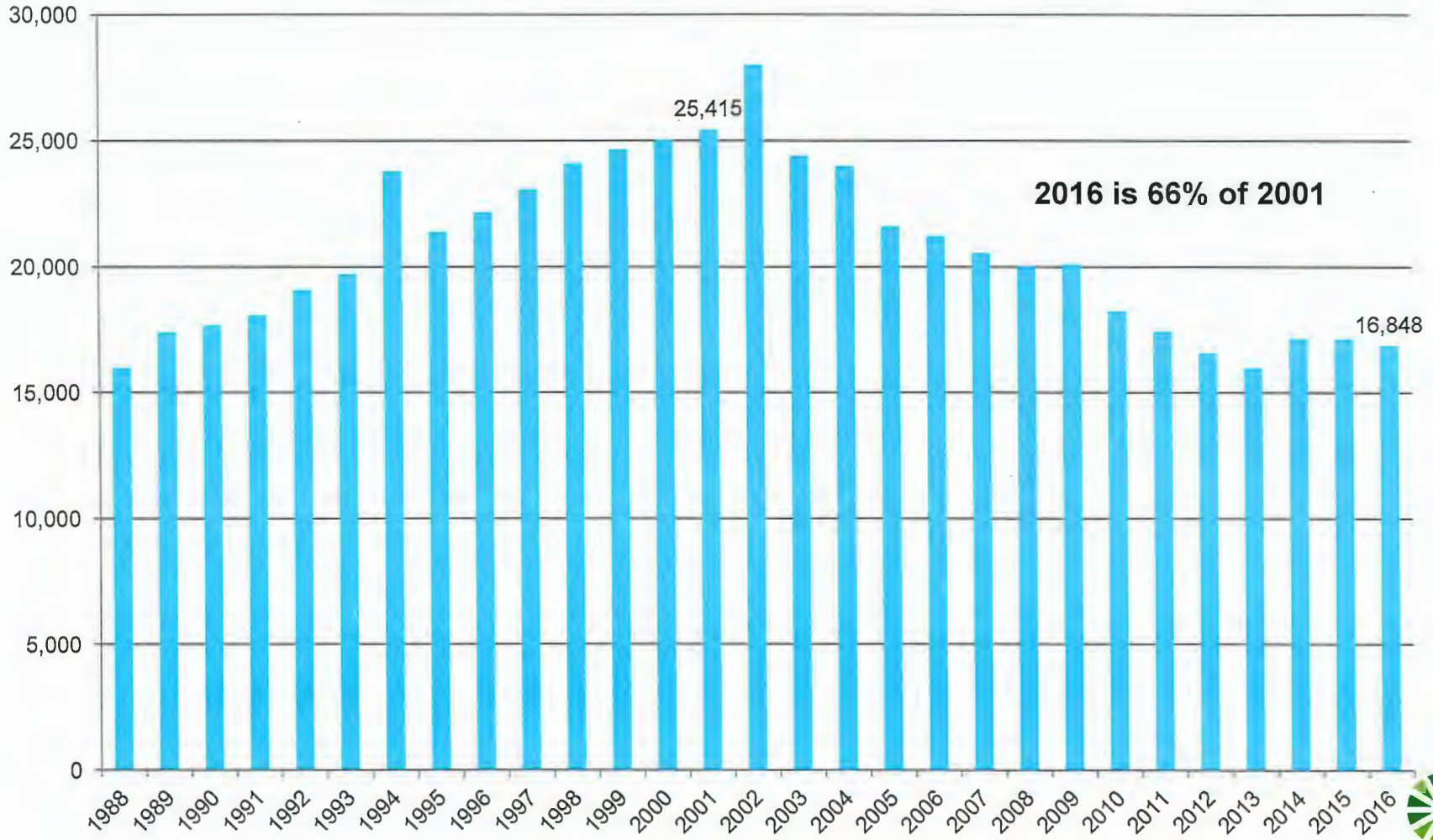
# Oregon Incumbents

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



# Small ILECS

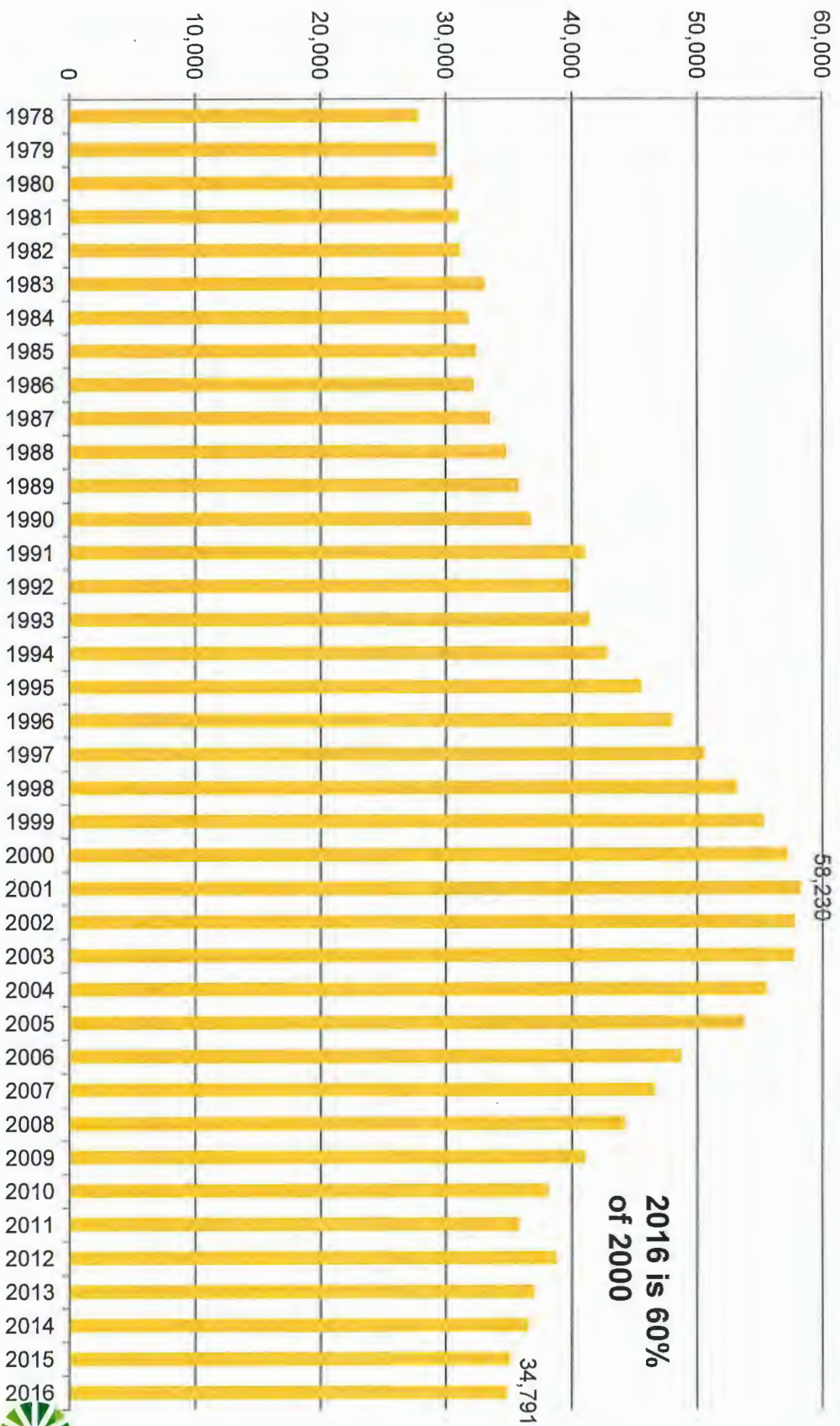
**Small Telecom Utilities Total Access Lines**  
Data From OPUC Utility Statistics Reports



# Co-ops

## Cooperative Telephone Companies Total Access Lines

Data From Oregon PUC Utility Statistics Reports

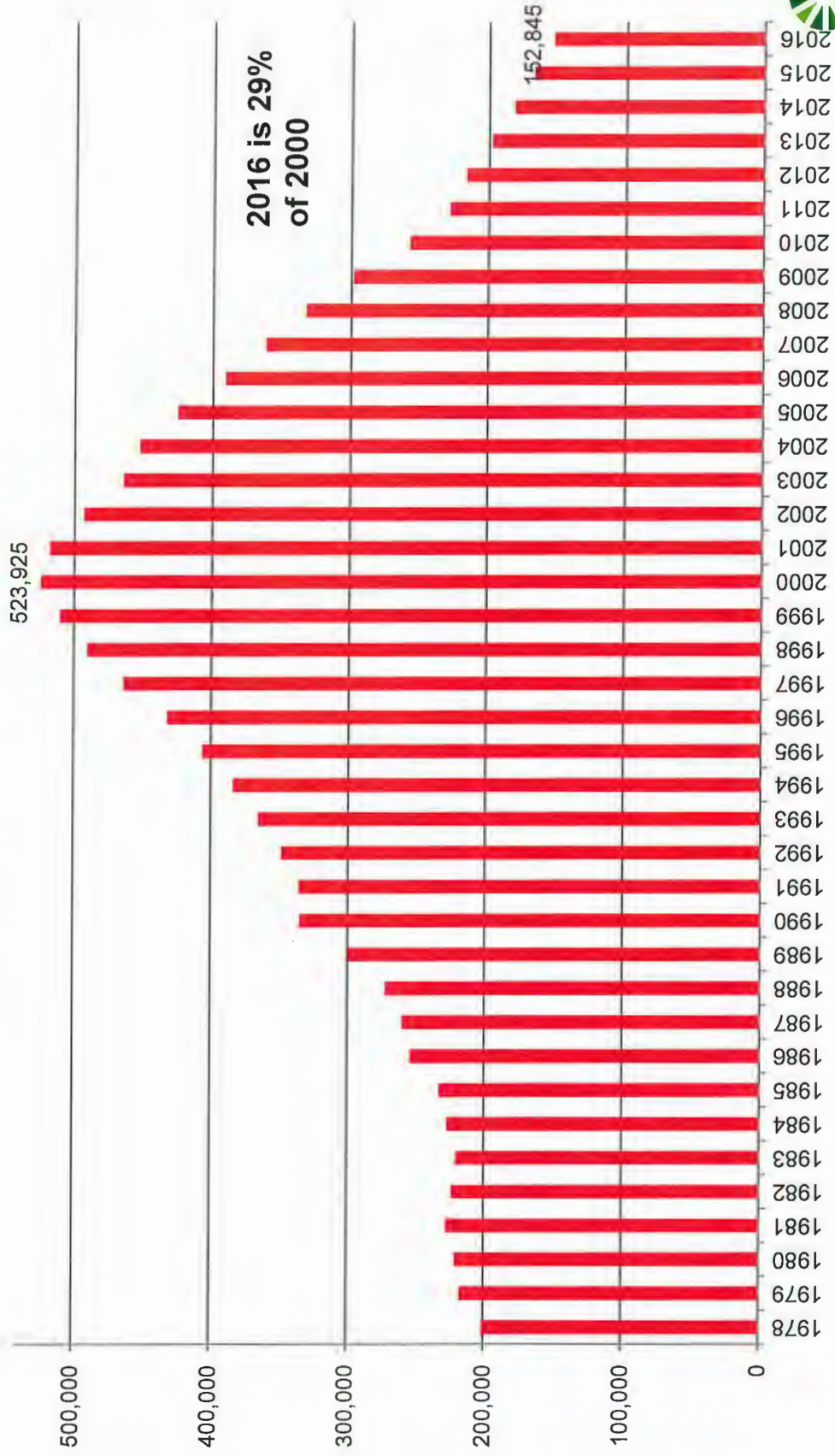


2016 is 60%  
of 2000

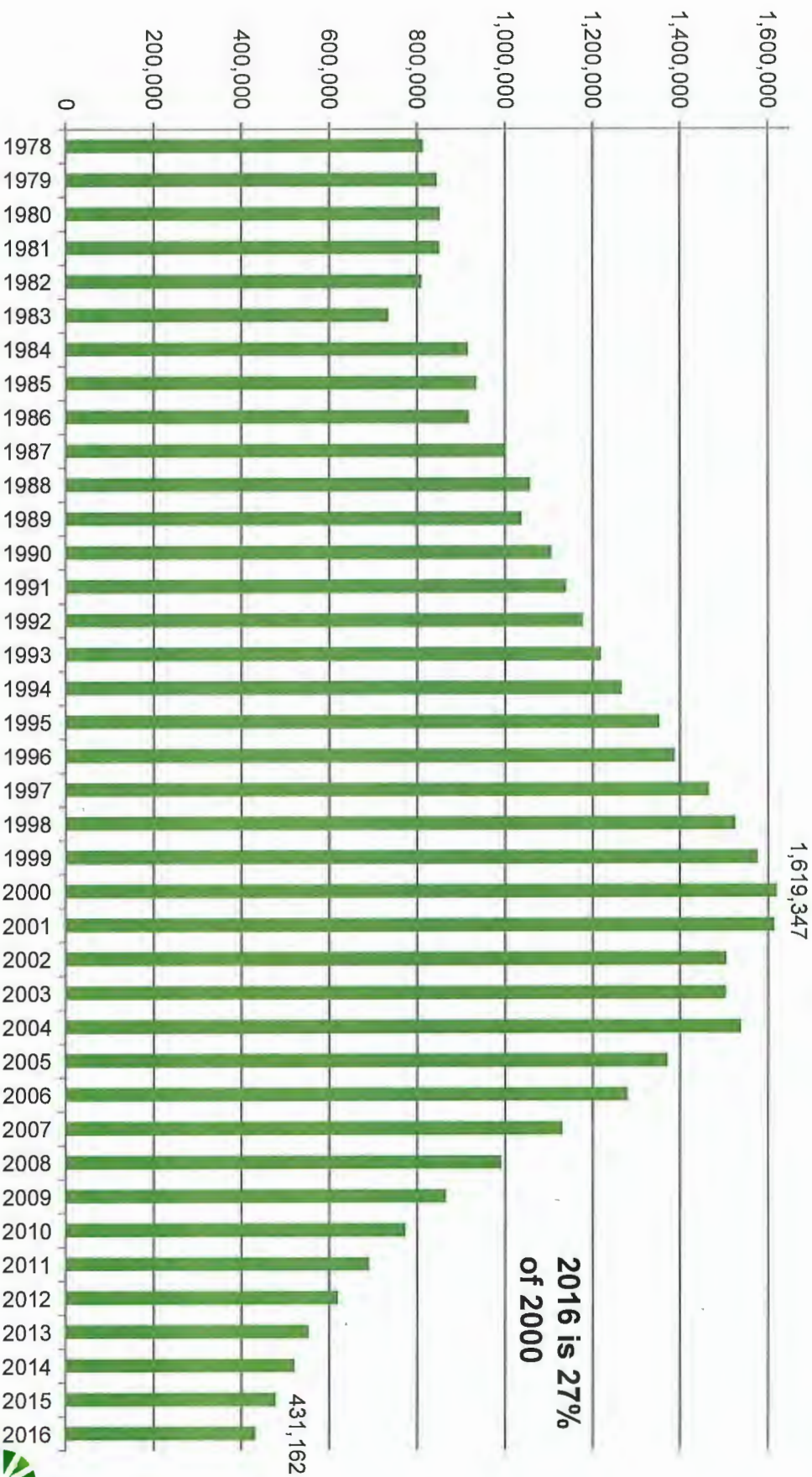
34,791

58,230

## Frontier Total Access Lines Data From Oregon PUC Utility Statistics Reports



## CenturyLink Total Access Lines Data from Oregon PUC Utility Statistics Reports



## Why the losses?

### Choice

Oregonians can chose among a wide variety of

### Technologies

and

### Providers

# Technologies

**Plain Old Telephone Service (POTS)**



**Voice Over Internet Protocol (VoIP)**

**Interconnected  
Nomadic**



**Mobile**



**Satellite**



# Providers

**comspan**  
communications

Integra



**exede**  
INTERNET

**at&t**

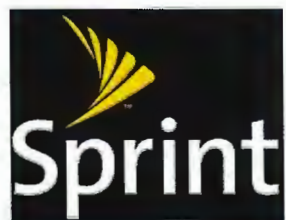
**Vonage**

**HughesNet.**

**wave**®

internet | tv | phone

**comcast**®



windstream. 

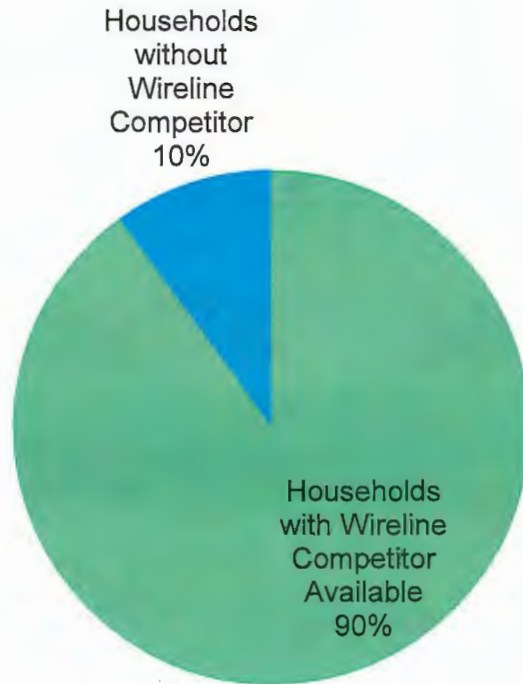


**Charter**  
COMMUNICATIONS

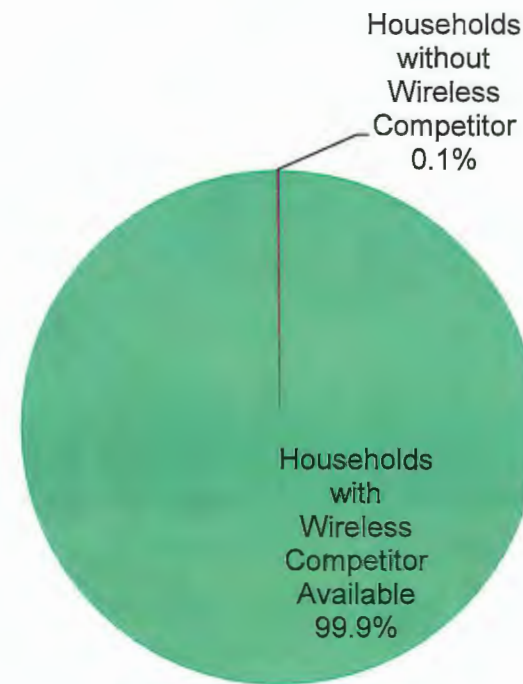


# Competitor Availability

## Wireline



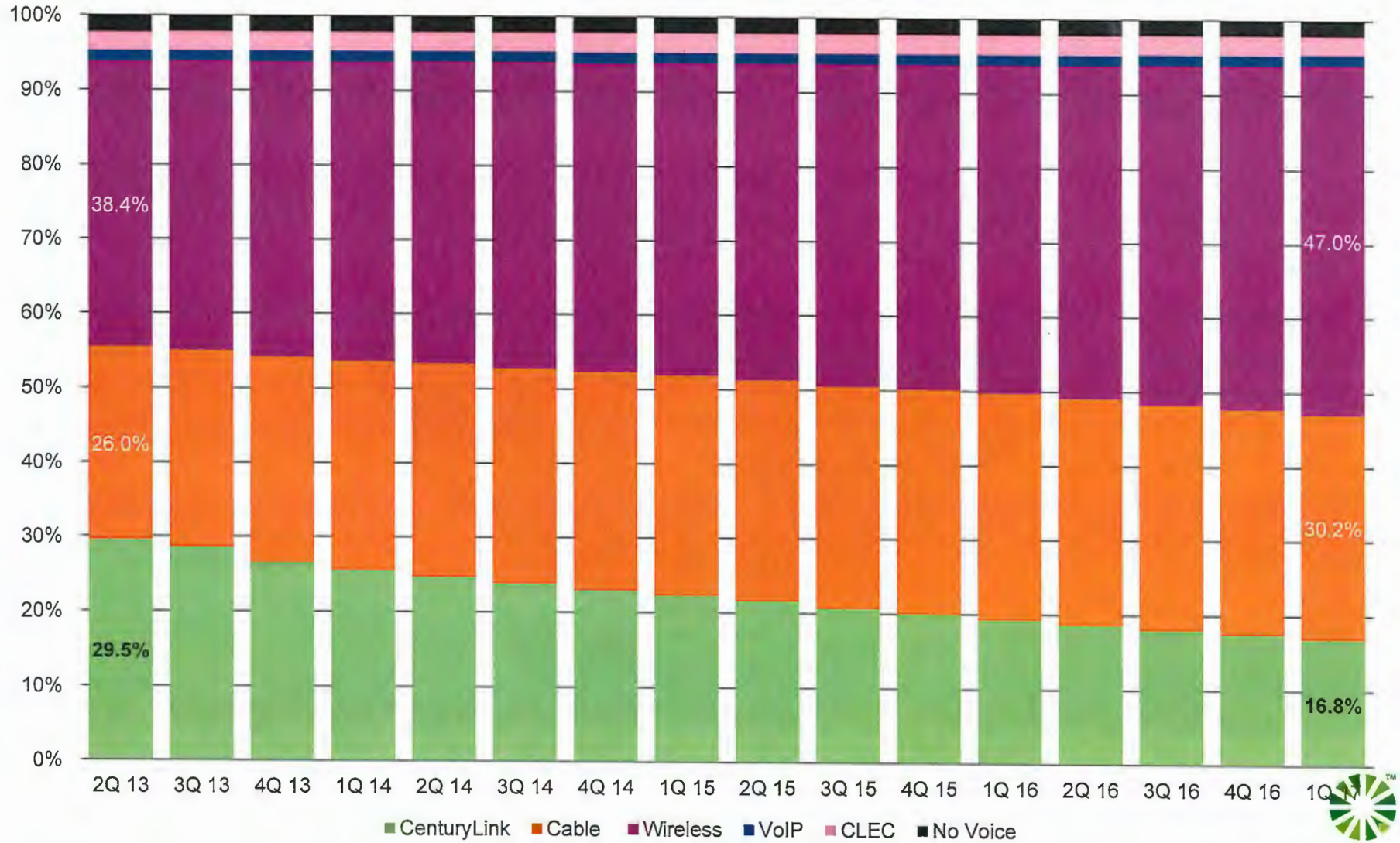
## Wireless





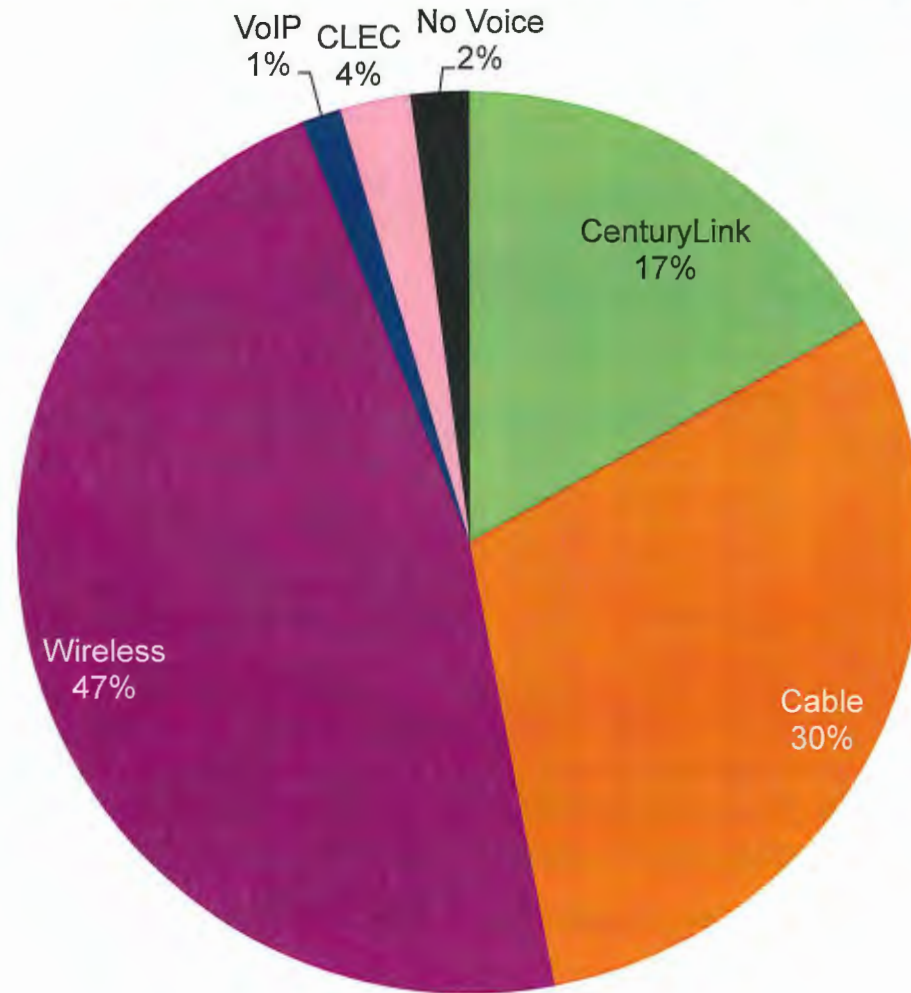
# Consumer Market Share in CenturyLink territory

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



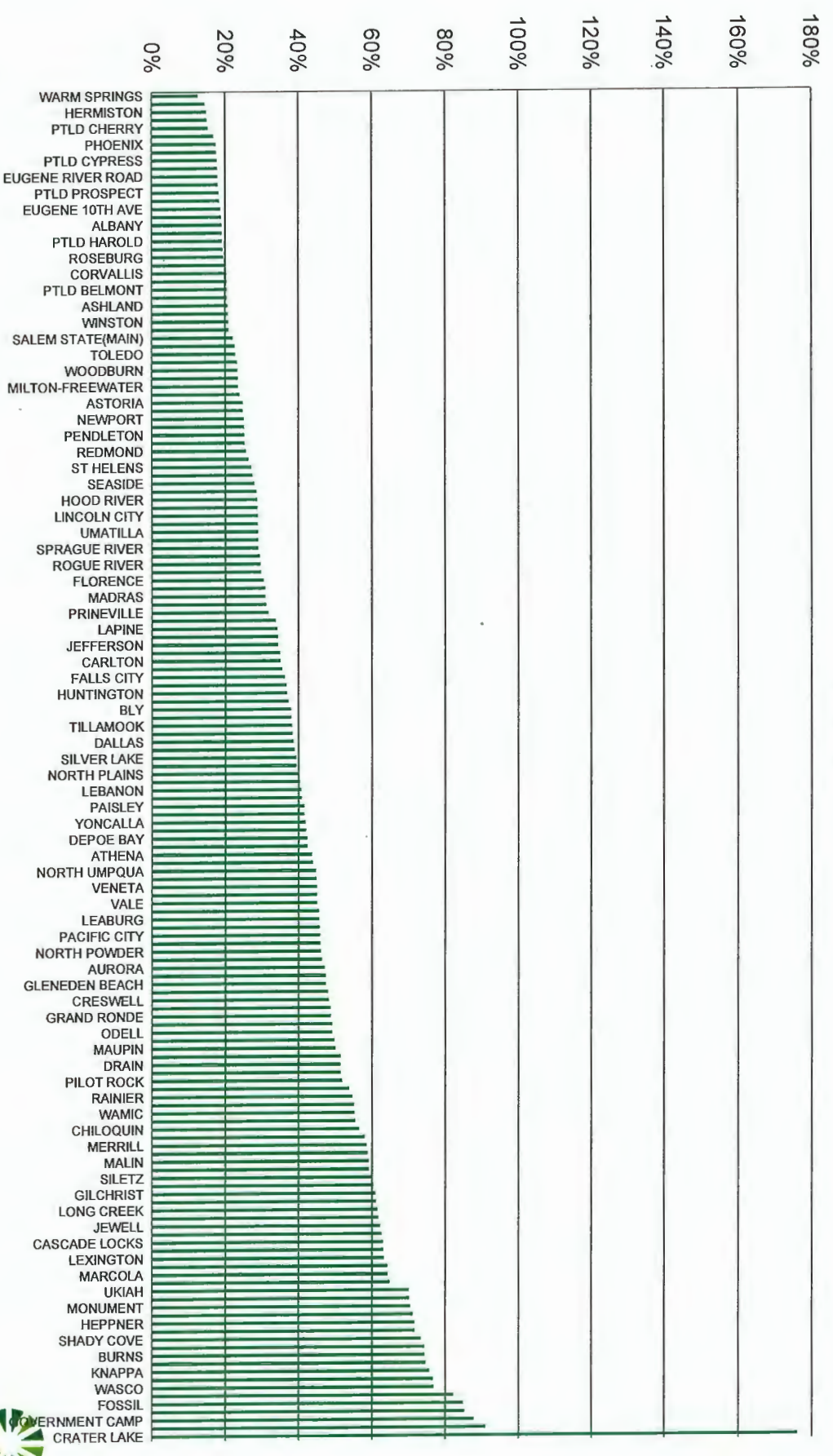
# Consumer Market Share in CenturyLink Territory

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



# Access Lines Lost in Every Wire Center Except Crater Lake

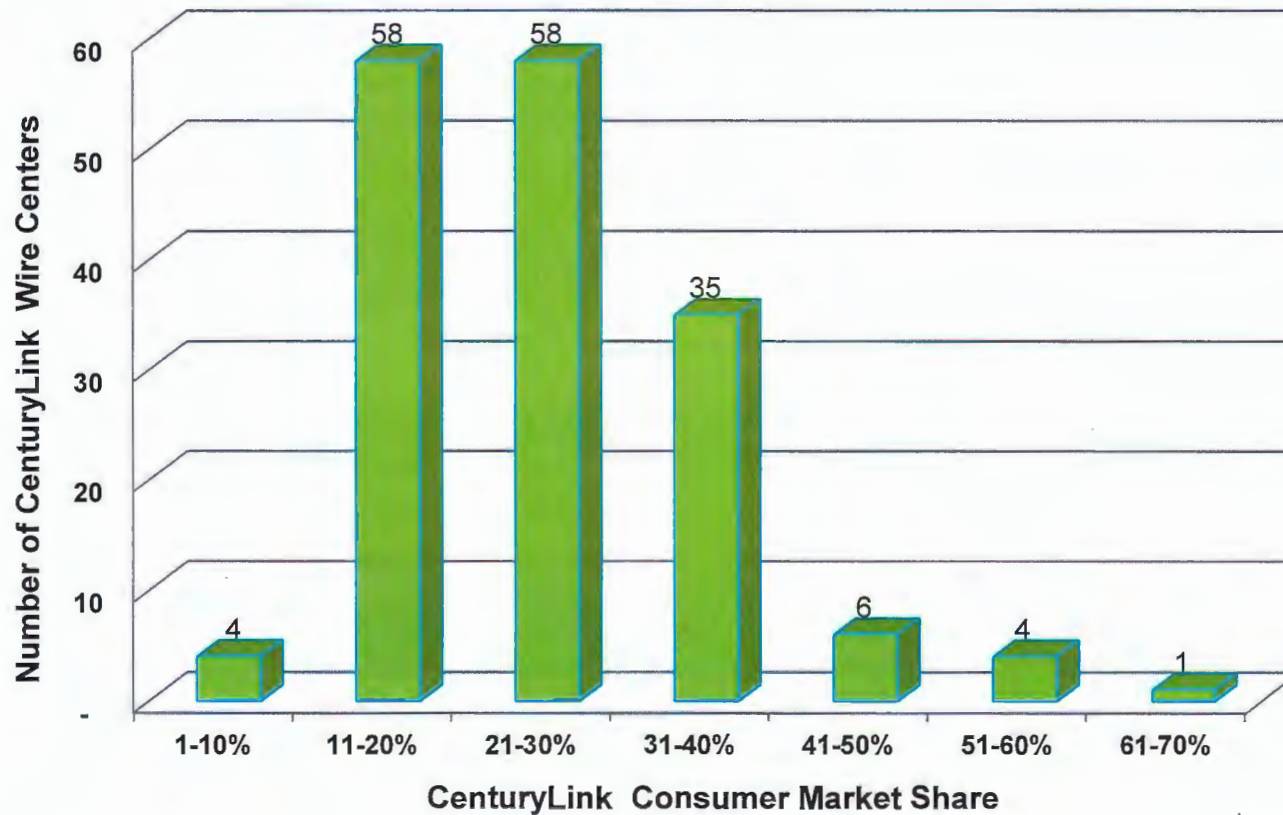
CenturyLink Percent of Year-End 2001 Total Access Lines Remaining at Year-End 2016  
by Wire Center



# Consumer Market Share - CenturyLink

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

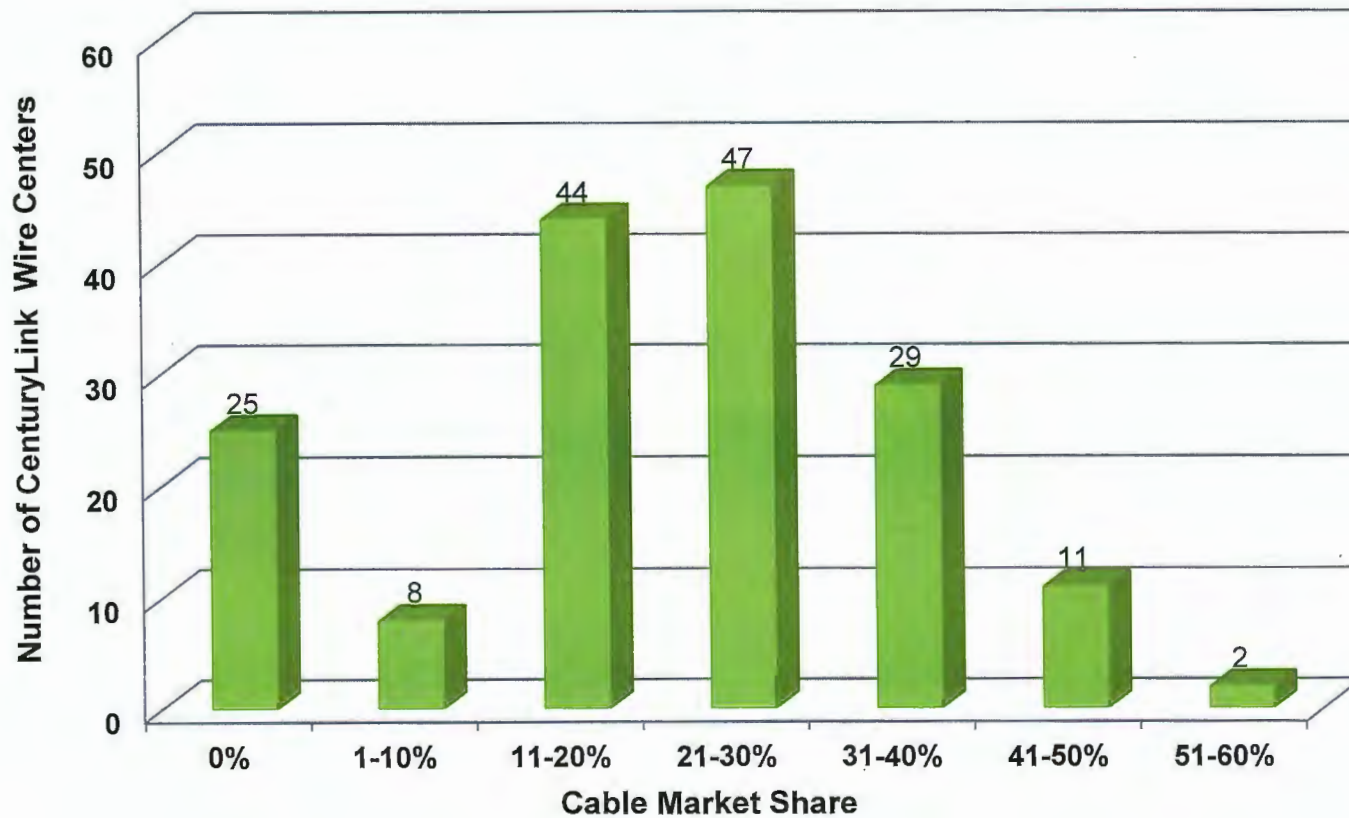
CenturyLink Oregon  
Consumer Market Share by Wire Center



# Consumer Market Share - Cable

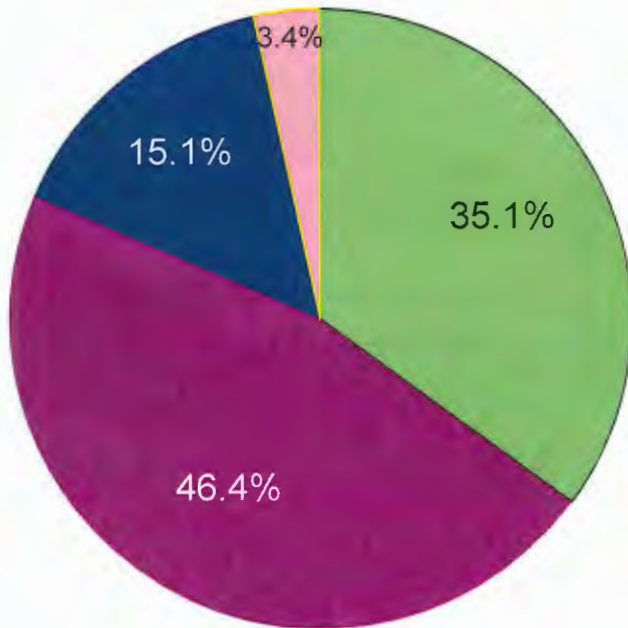
Cable competition: widespread throughout CenturyLink's Oregon service territory

CenturyLink Oregon  
Cable Market Share by Wire Center



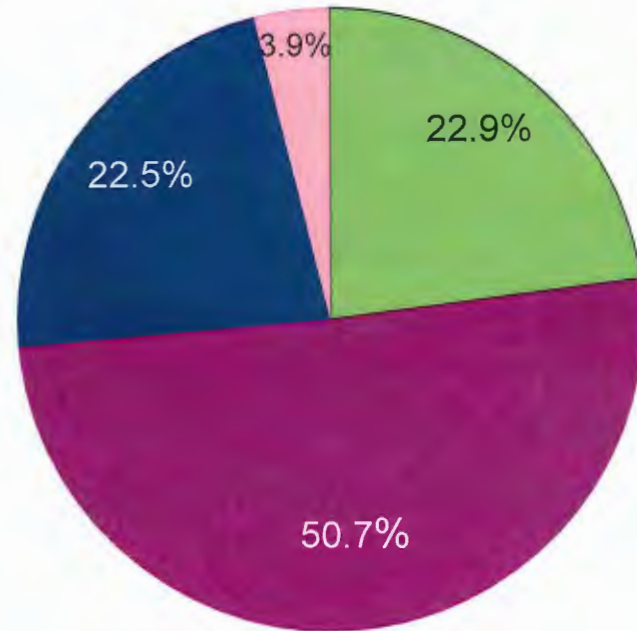
# Business Market Share in CenturyLink Territory

## Small Business Market Share



■ CenturyLink    ■ Cable  
■ CLECs        ■ VoIP

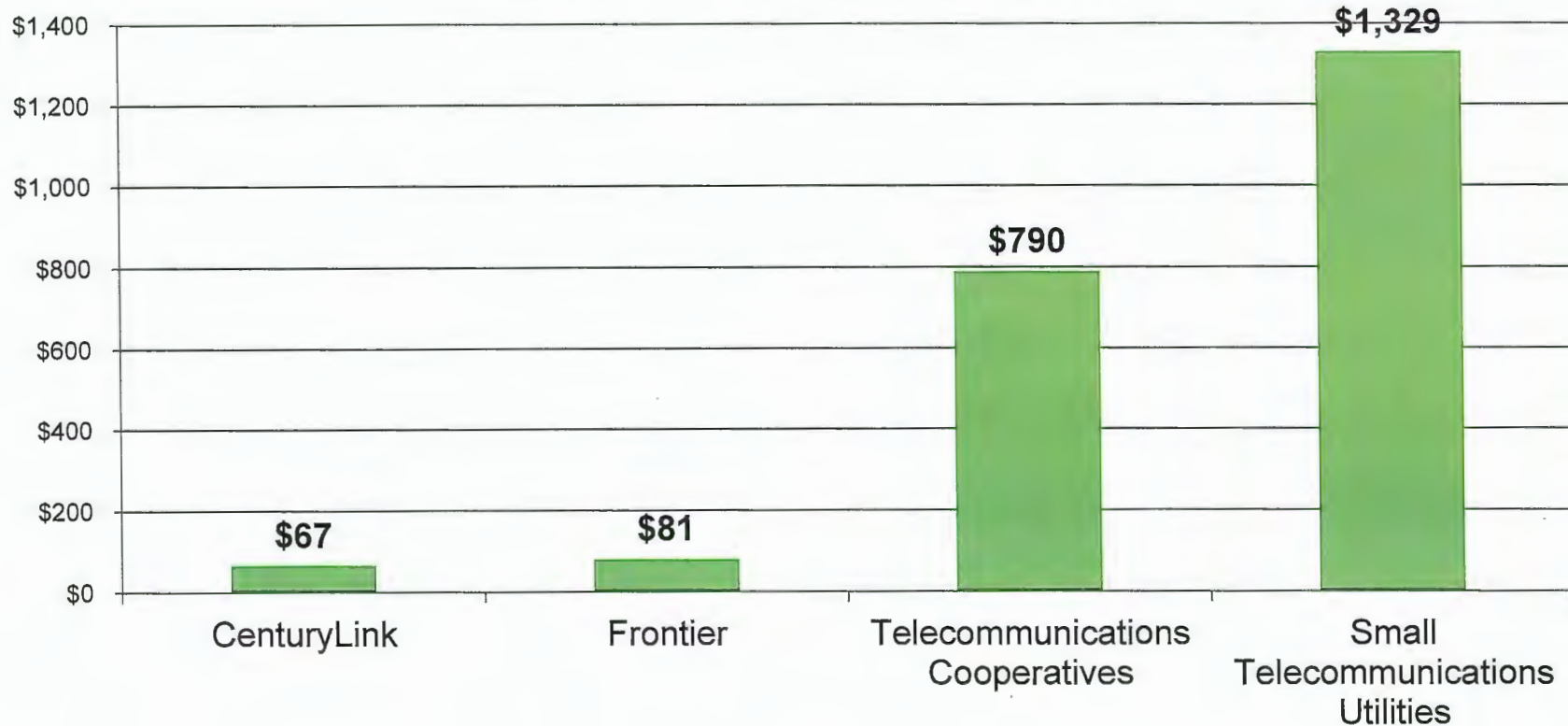
## Commercial Business Market Share



■ CenturyLink    ■ Cable  
■ CLECs        ■ VoIP

# Oregon ILECs receive federal and state support

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



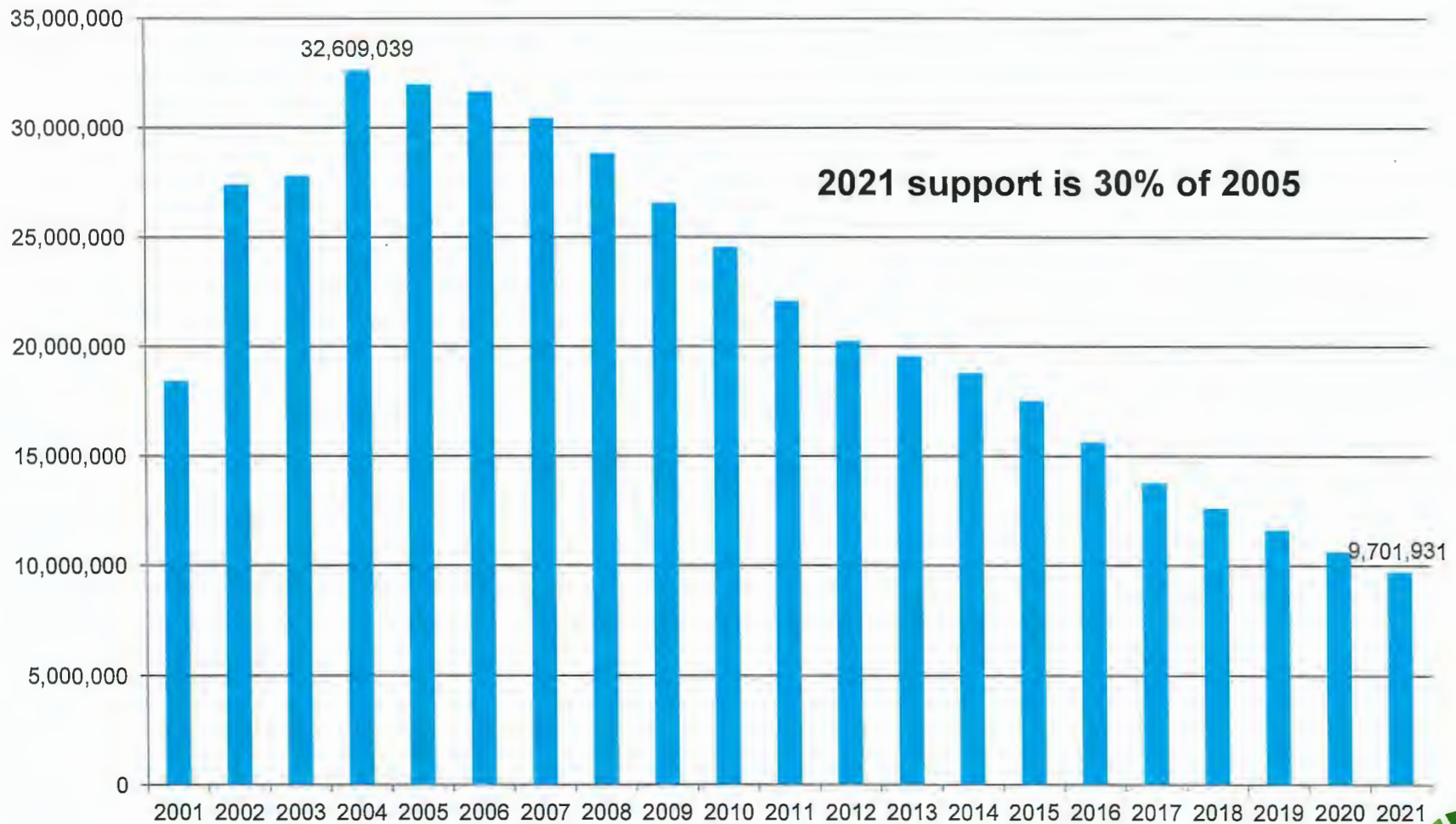
# OUSF does not compensate for revenue decline

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



# Most Oregon USF has been withdrawn

## Annual Oregon USF Distributions to all CenturyLink ILECs



# Current Price Plan

4 Year term expiring October 2018

Caps prices of:

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

Leaves regulated:

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

## 759.255 Price Regulation without regard to ROI

Serves as authority for the current price plan

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

- a) Ensures prices for telecommunications services that are just and reasonable;
- b) Ensures high quality of existing telecommunications services and makes new services available;
- c) Maintains the appropriate balance between the need for regulation and competition; and
- d) Simplifies regulation.”

# Service Quality Exemption

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

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

# OUSF Supported and Unsupported Wire Centers

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

# OUSF Supported and Unsupported Wire Centers

