

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 24, 2015**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ NA \_\_\_\_\_

DATE: March 11, 2015

TO: Public Utility Commission

FROM: Jim Stanage *JS*

THROUGH: Jason Eisdorfer, Bryan Conway, and Bruce Hellebuyck *ME*

SUBJECT: FRONTIER COMMUNICATIONS NORTHWEST INC.: (Advice Nos. SC15-01, SC15-02, SC15-03, SC15-04, and SC15-05) Establishes Special Contracts submitted pursuant to ORS 759.250(5).

**STAFF RECOMMENDATION:**

Staff recommends that the Commission take no action with regard to these filings. If the Commission does not act within 90 days of the filings, the respective special contracts are deemed approved.

**DISCUSSION:**

**Advice No. SC15-01**

Frontier Communications Northwest Inc. (Frontier) proposes to establish a twenty-four month special contract with a confidential customer for Frontier Simply Unlimited Service-Challenger bundle plus High Speed Internet (HSI) service, which combines a regulated service with an unregulated service.

**Advice No. SC15-02**

Frontier proposes to establish a thirty-six month special contract with a confidential customer for Integrated Services Digital Network Primary Rate Interface Service (ISDN-PRI), Direct Inward Dialing (DID), the Frontier Simply Unlimited Service-Challenger bundle plus High Speed Internet service, and Business Measured Access Lines. The contract rates represent discounts off the regular tariff rates ranging from 8 percent to 36 percent.

**Advice No. SC15-03**

Frontier proposes to establish a twenty-four month special contract with a confidential customer for the Frontier Simply Unlimited Service-Challenger bundle and Simply Unlimited Service-Challenger plus HSI service. The contract rates represent discounts off the regular tariff rates of 36 percent.

**Advice No. SC15-04**

Frontier proposes to establish a thirty-six month special contract with a confidential customer for the Frontier Simply Unlimited Service-Challenger bundle. The contract rates represent discounts off the regular tariff rates ranging from 23 percent to 36 percent.

**Advice No. SC15-05**

Frontier proposes to establish a thirty-six month special contract with a confidential customer for the Frontier Simply Unlimited Service-Challenger bundle and Simply Unlimited Service-Challenger plus HSI service. The contract rates represent discounts off the regular tariff rates of 36 percent.

**STAFF ANALYSIS**

**Review Procedures**

Although the form of regulation that applies to Frontier changed August 18, 2014, pursuant to ORS 759.255 and the regulatory plan allowed by the Commission under Order No. 14-290 (UM 1677), its services offered through special contracts remain fully regulated. Thus, Frontier special contracts for its regulated services are still subject to ORS 759.250.

Telecommunications utilities are allowed under ORS 759.250 to enter into special contracts with customers without being subject to standard tariff filing procedures under ORS 759.175. In addition, special contracts are not subject to hearings (ORS 759.180) or suspension (ORS 759.185).

ORS 759.250 outlines the requirements for approval of telecommunications special contracts, which are as follows:

1. The contract service must be a new service with limited availability, respond to a unique customer requirement, or be subject to competition.
2. Prices must exceed the long-run incremental cost of providing the service.
3. Telecommunications utilities are required to file special contracts no later than 90 days following the effective date of the contract. Contracts must not exceed five years, and ORS 759.250 does not permit automatic contract renewals.
4. The Commission shall issue an order on the filed contract within 90 days of the filing. If the Commission does not act within 90 days of the filing, the contract is deemed approved. Staff understands that if a telecommunications utility does not provide sufficient evidence to support the contract under ORS 759.250, the staff may recommend that the Commission reject the contract.

### **Classification and Unjust Discrimination Criteria**

PUC Order No. 92-651 (Docket UM 254), issued May 1, 1992, adopted procedures and guidelines for telecommunications special contract filings. The order specifies that in assessing special contracts the Commission must consider the reasonableness of the contract rates and whether the rates result in unjust discrimination. The statutes that underlie these areas of concern are ORS 759.210 (classification of service and rates) and ORS 759.260 (unjust discrimination).

Staff's analysis regarding conformance with ORS 759.210 is twofold. First, staff determines if a special contract rate class is developed by the telecommunications utility for one or more of the following reasons: a) the quantity of the contract service used; b) the purpose for which the contract service is used; c) whether price competition or a service alternative exists; d) the contract service being provided; e) the conditions of contract service; or f) other reasonable considerations. Second, staff determines if the special contract results in revenue sufficient to ensure just and reasonable rates for remaining customers (i.e., a "prudency review").

To determine conformance with ORS 759.260, staff determines if the special contract avoids unjust discrimination and is dependent upon the outcome of the analyses outlined above. The statute does not restrict the Commission from subsequent scrutiny of the reasonableness of special contracts for ratemaking purposes. The company submitted financial analyses that show the proposed rates cover the company's estimated LRIC for the contract service(s).

## **Conclusions**

Staff has investigated these filings and finds that they comply with Order No. 92-651 (UM 254) and the memorandum of understanding between staff and the company referenced in the order, the contracted services are subject to competition, the contract prices cover the company's cost for each respective service, and the company would offer the discounted contract prices to any similarly situated customer requesting them.

## **PROPOSED COMMISSION MOTION:**

The Commission take no action with regard to these filings. Pursuant to ORS 759.250, if the Commission does not act within 90 days of the filings, these special contracts are deemed approved.