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February 11, 2008

Frances Nichols Anglin
Oregon Public Utility Commission
550 Capitol St., NE
Suite 215
Salem, OR 97301

Re: UM 1354

Dear Ms. Nichols Anglin:

Enclosed for filing in the above entitled matter please find an original and (5) copies of Qwest Corporation's Amended Petition for Approval of Price Plan Pursuant to ORS 759.255, and the Direct Testimony of David L. Teitzel (Qwest/1 – Qwest/5). Please note Exhibit Qwest/2, and page 13 of Mr. Teitzel's testimony is Confidential, printed on yellow paper, and sealed in an envelope. Also enclosed is a certificate of service.

If you have any questions, please do not hesitate to give me a call.

Sincerely,

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

Carla M. Butler

CMB:

Enclosure

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1354**

In the Matter of)
)
QWEST CORPORATION)
)
Petition for Approval of Price Plan Pursuant to)
ORS 759.255)
)
)
)
)

**DIRECT TESTIMONY OF
DAVID L. TEITZEL
FOR
QWEST CORPORATION**

February 11, 2008

PUBLIC VERSION

DIRECT TESTIMONY OF DAVID L. TEITZEL

TABLE OF CONTENTS

	SUMMARY OF TESTIMONY	1
I.	IDENTIFICATION OF WITNESS	5
II.	PURPOSE OF TESTIMONY	6
III.	EFFECTS OF COMPETITION	7
	a. CLEC Competition	14
	b. Wireless Service Competition	19
	c. Voice over Internet Protocol Competition	30
IV.	QWEST'S PROPOSED OREGON PRICE PLAN	37
	a. Current Regulatory Framework	37
	b. Overview of Proposed Price Plan	39
	c. Service Quality Assurances	44
	d. Pricing Principles and Commitments	45
	e. Notice and Review of Price Changes	53
	f. Assessment of Competitive Factors	56
	g. Request for Waiver of Certain Statutes and Rules	58
	h. Public Interest	64
	i. Plan Reviews and Assessment	67
V.	CONCLUSION	70

SUMMARY OF TESTIMONY

The level of telecommunications competition has grown significantly in Oregon since 2000, when Qwest's retail access line base had reached historic highs, and is continuing to rapidly evolve. Not only are traditional landline-based Competitive Local Exchange Carriers ("CLECs") continuing to aggressively compete with Qwest, but "intermodal" competitors such as cable-based carriers, wireless carriers and Voice over Internet Protocol ("VoIP") providers are also actively competing with and capturing retail telecommunications customers from Qwest, and Qwest's retail access line base has thereby been significantly eroded since 2000.

The Oregon Legislature established statutes that provide for relaxed regulation commensurate with the increasing level of competition in the telecommunications market. In fact, Qwest has been operating under "price cap" flexible regulation under the terms of ORS 759.405 to 759.410 since 2000. However, the telecommunications market in Oregon has evolved dramatically over the eight years since Qwest elected to be subject to regulation under these particular statutes, and Qwest believes that competition can now play a larger part in regulating Qwest's pricing and that firm price caps are no longer appropriate for most Qwest retail services. The proposed Price Plan ("Plan") provides Qwest greater pricing flexibility for most of its retail services, while maintaining appropriate assurances of continued excellent retail service quality as specified by current Commission service quality rules, and ensures continued affordable prices for basic

Qwest telecommunications services such as primary, stand-alone residential and business access lines.

Briefly, the major provisions of the proposed Plan are as follows:

- Qwest would commit to an investment of a total of \$2 million in network improvements. Of this total amount, Qwest would invest at least \$1 million for additional DSL deployment and/or inter-office route diversity and up to an additional \$1 million to construct “last mile” connections to certain K-12 schools in connection with the State of Oregon Department of Education’s “EBITs” project, matching the level of the Department of Education’s investment up to \$1 million. These investments would be made during the first four years of the Plan.
- Qwest would commit to maintaining service quality at excellent levels pursuant to existing Commission service quality rules and would continue to provide service quality reports to enable the Commission to monitor Qwest’s performance.
- Non-recurring charges for primary line basic services would be capped at current rates. A price cap for recurring charges would be established at \$2.00 above the current monthly prices for primary line basic service, and Qwest would be permitted to adjust monthly prices upward or downward between the new price caps and the applicable price floors for primary line basic service. Qwest would commit to continue to offer primary line basic service on a stand-alone basis (*i.e.*, Qwest would not require customers to purchase a package to obtain these services).
- Rates for intrastate switched access services would be capped at their current rates. The Commission could adjust switched access price caps if required by FCC action.
- Rates for extended area service (“EAS”) would be capped at their current rates, and Qwest would not be required to establish any new or expanded EAS routes.
- Rates for all other Qwest retail services covered by the Plan would be price-listed. Qwest would have the flexibility to increase or decrease such rates, subject only to a specified price floor. Qwest agrees that it would not geographically deaverage these rates any further than may already exist at the time it commenced operation under the Plan.

- Qwest would have the authority to offer packages of services, which could include primary line basic service and EAS, at any price, subject only to statutory price floors.
- Qwest would provide the Commission advance notice of price changes for price-capped services 30 days prior to the effective date of such price changes. All other retail services covered by the Plan would be price-listed, and Qwest would make price list filings at least one day prior to the effective date of any price change. Qwest would also provide customers affected by a price increase at least 30 days' notice of price increases.
- The Commission could, at any time, investigate Qwest's non-capped rate for a specific retail service upon receiving a complaint filed by any party with legal standing, including Commission Staff. The Commission would follow its ordinary hearing procedures in the event it determines formal investigation is required.
- Qwest would be permitted to eliminate the "two free call" allowance for directory assistance calls.
- Qwest's performance under the Plan would be comprehensively reviewed by the Commission every five years, and Qwest commits that it would file a detailed report regarding its performance as compared to the objectives of the Plan by the 90th day of the fifth year of operation under the Plan, and every five years thereafter, unless ordered otherwise by the Commission.
- After proper notice and hearing, the Commission could order further adjustments to the Plan as required to be consistent with the public interest. If the Commission were to determine that it was necessary to suspend Qwest's pricing flexibility, then Qwest's current rates would become price caps until further reviewed by the Commission.

Clearly, Qwest's proposed Plan is a logical next step in easing regulation in favor of competition, but provides the Commission with a continued means to monitor and address Qwest market actions if warranted. The Plan satisfies the public interest by providing clear mechanisms to ensure continued excellent service quality, affordable pricing for local exchange services, and a means to ensure just and reasonable rates for retail services, as well as providing additional Qwest investments in telecommunications infrastructure and K-12 educational opportunities, and capping switched access and EAS

rates at current levels. Since most of Qwest's telecommunications competitors are either lightly regulated or not regulated at all, the proposed Plan provides an appropriate balance between relaxed regulation of Qwest commensurate with the level of competition that Qwest faces and the assurance of affordable rates and continued retail service quality excellence.

1 **I. IDENTIFICATION OF WITNESS**

2
3 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION**
4 **WITH THE QWEST CORPORATION.**

5 A. My name is David L. Teitzel. My business address is 1600 7th Ave., Seattle,
6 Washington, and I am currently employed as a Staff Director in the Public Policy
7 department. I am testifying on behalf of Qwest Corporation (“Qwest”).

8
9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
10 **EMPLOYMENT EXPERIENCE.**

11 A. I received a Bachelor of Science degree from Washington State University in
12 1974 and have been continuously employed by Qwest and its predecessor
13 companies since that time. I have held a number of management positions in
14 various departments, including Regulatory Affairs, Network and Marketing. As a
15 Marketing Product Manager, I was responsible for product management of Basic
16 Exchange, Centrex and IntraLATA Long Distance services. I have also served as
17 a Market Manager for Qwest Dex directories in the Puget Sound region. I was
18 named to my current position in March 1998.

19
20 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THIS**
21 **COMMISSION?**

1 A. Yes. I have submitted testimony before this Commission on several occasions.
2 In 2001, I submitted testimony in Docket UT 125 regarding Qwest's application
3 for an increase in revenues and in Docket UM 823 regarding Qwest's Section 271
4 application for reentry into the interLATA long distance market. In 2002,
5 I submitted testimony in Docket UX 27 regarding Qwest's petition to exempt
6 Directory Assistance service from regulation and in Docket UX 28 in support of
7 Qwest's petition to exempt intraLATA toll service from regulation.

8

9 **Q. HAVE YOU ALSO TESTIFIED BEFORE OTHER REGULATORY**
10 **COMMISSIONS?**

11 A. Yes. I have presented testimony before commissions in each of Qwest's other
12 thirteen in-region states, as well as before the FCC, in a variety of proceedings
13 since 1998.

14

15 **II. PURPOSE OF TESTIMONY**

16

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. The purpose my testimony is to provide an overview of the highly dynamic
19 telecommunications market environment in Oregon, to describe Qwest's Oregon
20 proposed Price Plan ("Plan") filed on October 26, 2007 and revised on February
21 11, 2008, and to discuss why the proposed Plan is appropriate in view of the
22 competitive telecommunications market in Oregon. While the Oregon statutes
23 relevant to Qwest's proposed Plan do not require a specific showing of the nature
24 and extent of competition that Qwest faces in Oregon, my testimony explains that

1 competition has evolved to the point at which Qwest's Plan is appropriate and in
2 concert with the public interest.

3

4 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

5 A. Since a primary reason that Qwest is now seeking a price plan is that
6 telecommunications competition has evolved in Oregon to the point at which it is
7 now appropriate to ease regulatory constraints on Qwest in favor of prevailing
8 market forces, my testimony first provides an overview of the competitive
9 telecommunications environment in Oregon. This overview is not intended to be
10 exhaustive, but rather, simply provides a snapshot of current evidence showing
11 that multiple forms of competitors, including CLECs, cable service providers,
12 wireless providers and VoIP providers, are actively competing against Qwest in
13 Oregon and are driving the need for a regulatory approach that affords Qwest a
14 reasonable opportunity to compete with these lightly regulated service providers.
15 Following that discussion, my testimony provides details of Qwest's proposed
16 Plan and explains the rationale for and operation of the Plan.

17

18 **III. EFFECTS OF COMPETITION**

19

20 **Q. WHAT SIGNIFICANT CHANGES HAVE OCCURRED IN THE**
21 **TELECOMMUNICATIONS MARKET IN OREGON SINCE 2000?**

22 A. The competitive telecommunications market has undergone a paradigm shift in
23 comparison to the competitive environment that existed in 2000, when the

1 wireline telecommunications industry was in the midst of an era of unprecedented
2 growth. Qwest is now facing competition in Oregon not only from traditional
3 wireline CLEC competitors and independent telephone companies (such as
4 Beaver Creek Cooperative in Oregon City and Gervais Telephone in Woodburn)
5 overbuilding Qwest's facilities, but also from "intermodal" competitors such as
6 cable service providers (most of which are utilizing internet protocol telephony
7 via broadband connections to provide digital telephone service),¹ wireless carriers
8 and stand-alone Voice over Internet Protocol ("VoIP") service providers.
9 Demand for Qwest's wireline services is declining as demand for intermodal
10 services continues to rapidly escalate. Customer preferences are clearly shifting
11 away from traditional "intramodal" landline services offered by Qwest and its
12 CLEC competitors, and customers are increasingly substituting wireless or
13 internet-based services (including VoIP-based telephone services offered by cable
14 service providers) for traditional residential and business landline services, thus
15 requiring Qwest to respond to an ever-expanding array of competitors, most of
16 which are either lightly regulated or not regulated at all.

17

18 **Q. CAN YOU QUANTIFY THE EFFECTS OF COMPETITION ON**
19 **QWEST'S SWITCHED LOCAL EXCHANGE ACCESS LINE BASE IN**
20 **OREGON?**

¹ For example, Comcast, the largest cable-based telephone service provider in Oregon, markets its digital telephone service as being an "IP-enabled phone service." See http://www.comcast.com/MediaLibrary/1/1/About/PressRoom/Documents/ProductsAndServices/digital_voice.pdf.

1 A. Yes. As shown at page 6 of Qwest’s amended petition in this docket, Qwest
2 experienced very significant local exchange access line declines between 2000
3 and 2006, as follows:

4 **Qwest Switched Local Exchange Access Lines – Oregon²**

	December 2000	December 2006	Change	Percent Change
Business	466,960	264,700	(202,260)	(43.3)%
Payphone	14,827	6,826	(8,001)	(54.0)%
Residence	978,382	705,717	(272,665)	(28.0)%
Total	1,460,169	977,243	(482,926)	(33.1)%

5
6 These switched local exchange access line counts are drawn from publicly-
7 available FCC ARMIS data. The official ARMIS data for December 2007 will
8 not be filed with the FCC until April 2008 and thus is not available as of the filing
9 date of my direct testimony. Notwithstanding the unavailability of annual 2007
10 ARMIS data at this time, the data in the table above clearly shows significant
11 declines in Qwest’s switched access line base in Oregon over the six-year period
12 as the competitive environment in this decade has intensified. In particular, note
13 that Qwest’s switched business line base declined more than 40 percent over this
14 timeframe, its payphone access line base declined more than 50 percent³ and its
15 residential line base declined by nearly 30 percent.

16
17 However, these averages do not tell the entire story, and in fact, the rates of
18 decline are even more significant in certain areas of the state. In regard to

² Publicly-available FCC ARMIS Report 43-08, Table III, 12/2000 and 12/2006 edition dates. Note: ARMIS data excludes Qwest Official Company Service (“OCS”) lines and includes resold lines.

1 switched business lines, one would expect substantial losses where
2 telecommunications competitors are typically concentrated in large cities, such as
3 Portland, Salem and Eugene, where Qwest faces strong competition from CLECs,
4 cable service providers (such as Comcast), stand-alone VoIP providers and
5 wireless service providers. Interestingly, however, when reviewing confidential
6 internal access line tracking data for Qwest wire centers in Oregon for December
7 2000 and for December 2007,⁴ the data show that Qwest has also incurred losses
8 in retail business lines in wire centers in smaller Oregon communities such as
9 Astoria, Hermiston, Roseburg and St. Helens in excess of the average statewide
10 business line loss rate shown in the table above. With regard to residential local
11 exchange service, Qwest has incurred losses in smaller communities such as
12 Albany, Ashland, Bend, Corvallis, Hermiston, Independence, Klamath Falls,
13 Medford, Oregon City, Pendleton and Roseburg in excess of the statewide
14 average reflected in the table above. Please see Confidential Exhibit Qwest/2 for
15 a comparison for each Qwest wire center of residential and business retail access
16 line changes between December 2000 and December 2007.

17
18 Importantly, such comparisons only measure the difference in Qwest's existing
19 retail access line base between two specific points in time and thus ignore the

³ Qwest attributes the bulk of payphone line losses to the pervasive availability of wireless telephones, causing the market need for traditional coin telephones to become increasingly marginal.

⁴ Source: Confidential FDM Report 36, which provides wire center-level retail access line tracking data. As opposed to the annual statewide ARMIS tracking data referenced earlier in this testimony, the wire center-level access line tracking data contained in Confidential Exhibit Qwest/2 excludes Qwest Official Service and resold lines. The access line data shown in Confidential Exhibit Qwest/2 strictly reflects Qwest local exchange access lines sold to retail customers.

1 effects of growth in the market (e.g., in-service access line comparisons between
2 two points in time would not account for new customers who were never Qwest
3 customers). As in the business market, competitors for residential telecom
4 services have now clearly ventured beyond the major metropolitan areas of
5 Oregon in their efforts to win customers from Qwest.

6

7 **Q. IS PUBLIC DATA AVAILABLE THAT SHEDS LIGHT ON THE**
8 **CHANGING COMPOSITION OF THE TELECOMMUNICATIONS**
9 **MARKET THAT CAN, AT LEAST IN PART, EXPLAIN THE REASONS**
10 **FOR THE SHARP DECLINE IN QWEST’S RETAIL ACCESS LINE BASE**
11 **IN OREGON?**

12 A. Yes. While such public data is not typically available to quantify such changes at
13 the specific ILEC service territory level, one way to capture a picture of this
14 overall marketplace is to view the total number of “communications connections”
15 in the state, based on public FCC data. Thus, if FCC data showing ILEC lines
16 (Qwest and Independent Company lines combined), CLEC lines, Mobile Wireless
17 Subscribers and High-Speed Lines are combined to form a view of the overall
18 “telecommunications market” – which is appropriate because Qwest competes in
19 each of these service categories – and each in-service line is counted as a
20 connection, an overall view of the changing composition of the Oregon
21 telecommunications market can be developed. The following table shows the
22 change in connections from December 2000 to December 2006, which is the
23 latest public FCC data available:
24

1 **Oregon In-Service Quantities December 2000 versus December 2006⁵**

	Dec. 2000	Connection Share Dec. 2000	Dec. 2006	Connection Share Dec. 2006	Change	Percent Change
ILEC Lines	2,109,510	60.5%	1,561,802	27.9%	(547,708)	(26.0)%
CLEC Lines	99,326	2.9%	317,921	5.7%	218,595	220.1%
Mobile Wireless Subscribers	1,201,207	34.5%	2,655,905	47.5%	1,454,698	121.1%
High-Speed Lines	<u>76,839</u>	2.2%	<u>1,055,986</u>	18.9%	979,147	1274.3%
Total	3,486,882		5,591,614			

2

3 The FCC's data clearly shows the dramatic growth of intermodal
4 telecommunications services, the steep decline in ILEC access lines, and the sharp
5 growth in CLEC connections in Oregon. The traditional ILEC access line base
6 now represents only about *one quarter* of the overall number of communications
7 connections⁶ in the Oregon telecommunications market.

8

9 **Q. IS IT TRUE THAT A SIGNIFICANT FRACTION OF THE RETAIL**
10 **ACCESS LINES QWEST HAS LOST IS SIMPLY ATTRIBUTABLE TO**
11 **NON-PRIMARY QWEST ACCESS LINES THAT HAVE BEEN**
12 **DISCONNECTED IN FAVOR OF QWEST DSL SERVICE?**

⁵ The source for the data in this table regarding ILEC lines, CLEC lines, and mobile wireless subscribers is the FCC Local Telephone Competition Report, Tables 9, 10, and 14. The source for the data in this table regarding high-speed lines is the FCC High-Speed Services for Internet Access Report, Table 10.

⁶ In Oregon, the FCC High-Speed Services for Internet Access Report data at Table 9 shows that DSL lines account for approximately 30 percent of the total high-speed lines in the state. With regard to Qwest DSL, which is a subset of this total, subscribers are permitted to purchase DSL on a "stand-alone" basis (e.g., the customer is not required to purchase a Qwest local exchange service as a precondition to subscribing to Qwest DSL). In this instance, should the customer wish to utilize VoIP service as a substitute for Qwest local exchange service, he or she is free to subscribe to services of any of a wide range of VoIP telephone service providers, any of which can be used with the stand-alone Qwest DSL service. Qwest does not contend that every broadband subscriber is currently a VoIP subscriber, but it is important to note that every broadband subscriber is an existing or potential VoIP subscriber.

1 A. No. In fact, Qwest analyzed all residential accounts in Oregon that added DSL
2 service between 2000 and year-end 2007, and identified only
3 **[CONFIDENTIAL] **X percent**[END CONFIDENTIAL]** of those accounts
4 over that timeframe that had disconnected an additional (e.g., second access line
5 terminating at the customer's premises) Qwest telephone line coincident with the
6 customer's DSL installation.⁷ In fact, the preponderance of DSL installations are
7 incremental to services to which the customer already subscribes. The additional
8 revenue associated with these incremental sales has been publicly discussed in
9 Qwest's recent earnings reports as a key factor in Qwest's relative financial
10 stability as a means of offsetting access lines lost to competition.

11

12 **Q. DOES A SIMPLE EXAMINATION OF LOSS OF QWEST IN-SERVICE**
13 **ACCESS LINES BETWEEN TWO POINTS IN TIME, SUCH AS 2000 AND**
14 **2007, REVEAL THE FULL IMPACTS OF TELECOMMUNICATIONS**
15 **COMPETITION ON QWEST'S OPERATIONS?**

16 A. No. It is important to note that the simple reduction in Qwest's access line base
17 does not account for growth in the telecommunications market over this period.
18 Qwest has also lost the opportunity to serve new residential and business
19 customers in Oregon when a customer elects to subscribe to the service of a
20 competitor without ever having been a Qwest customer in the first instance.
21 According to the U.S. Census Bureau, the population of Oregon increased from
22 3,421,400 in 2000 to 3,700,800 in 2006, an increase of more than 8 percent.⁸ This
23 population increase has logically driven increased demand for

⁷ "Coincident with" means the same month, the previous month, or the month immediately after the DSL service was installed (e.g., incidences of access line disconnection in which the disconnection of the additional line can reasonably be attributed to the installation of the DSL service).

⁸ U. S. Census Bureau, American Fact Finder, Oregon population.

1 telecommunications services, while Qwest's access line base has rapidly declined
2 over this same period--even in the face of this increased telecommunications
3 service demand. For example, through December 2006, the number of CLEC
4 access lines in service in Oregon grew to 317,921, an increase of more than 220
5 percent from December 2000. Clearly, CLEC competition, as well as ever-
6 expanding competition from intermodal services such as VoIP, cable and
7 wireless, is driving a significant reduction in Qwest's retail access line base.
8

9 **a. CLEC Competition**

10
11 **Q. WHAT CLECs ARE CURRENTLY ACTIVE IN OREGON?**

12 A. There are a number of CLECs currently active in Oregon, such as: 1-800
13 Reconnex (d/b/a U.S.Tel), ACN Communications, American Fiber Network,
14 AT&T/SBC, Sunriver Telecom, Beaver Creek Cooperative, BendBroadband,
15 BendTel, Budget Prepay, Bullseye Telecom, Cal-Ore Communications, Centel
16 Communications, Charter Fiberlink, Comcast, ComSpan Communications (f/k/a
17 Wantel), Excel Telecom (including VarTec Telecom), Cordia Communications,
18 Covad, Cypress Communications, Eastern Oregon Telecom, Ernest
19 Communications, Integra (including Electric Lightwave, Eschelon, Oregon
20 Telecom and Unicom), DataVision Communications, Global Crossing, Granite
21 Communications, Level 3 Communications, Matrix Telecom, Verizon/MCI,
22 McLeod/PAETEC, Metropolitan Telecommunications, Monmouth Independence
23 Networks (d/b/a MINET), New Edge, NexGen Phone Systems, NOS
24 Communications, Orbitcom (including OneEighty Networks), Pac-West Telecom,

1 PriorityOne Telecommunications, Quality Telephone, Rio Communications,
2 Sprint, Time Warner Telecom, and XO Communications.⁹

3

4 **Q. ARE THESE CLECs REQUIRED TO FILE TARIFFS OR PRICE LISTS**
5 **WITH THIS COMMISSION?**

6 A. No. These CLECs are free to modify pricing, terms and conditions of their
7 service offerings without any requirements to file notice of such changes with this
8 Commission or any other agency.

9

10 **Q. ARE THE PRICES OF ANY OF THESE CLECs SUBJECT TO PRICING**
11 **CAPS?**

12 A. No. These CLECs are free to establish prices for their services which they
13 believe are appropriate in the market, and are subject neither to price caps nor
14 price floors.

15

16 **Q. IF CLECs ARE FREE TO CHANGE PRICES, BUT PRICE LISTS AND**
17 **TARIFFS ARE NOT AVAILABLE TO THE PUBLIC, REGULATORS**
18 **AND OTHER COMPETITORS (INCLUDING QWEST) FOR REVIEW,**
19 **WHAT RESOURCES ARE AVAILABLE FOR REVIEW IN**
20 **DETERMINING WHAT PREVAILING MARKET PRICES MAY BE?**

⁹ This list of Oregon CLECs reflects any known mergers/acquisitions between these entities.

1 A. In some instances, CLECs provide pricing information on their websites,
2 promotional materials, customer mailings, individual customer price bids, etc.
3 For example, Comcast provides non-confidential Oregon price lists at its
4 website¹⁰ for its residential and business telecom services,¹¹ showing its current
5 standard pricing for residential services and features (with local exchange service
6 ranging from \$10.00 per month for a stand-alone additional residential line with
7 no features to \$44.95 for a residential service package with features and unlimited
8 long distance calling), and business digital voice services and features (with local
9 exchange business service ranging from \$34.95 for a stand-alone business “fax”
10 line with no features to \$69.95 for a business line package with calling features
11 and unlimited long distance calling). Comcast offers frequent promotions with
12 pricing offers lower than those listed.¹² BendBroadband (which, like Comcast,
13 provides VoIP-based telephone service via its cable television facilities) offers
14 basic, stand-alone residential telephone service, without calling features, in
15 Sisters, Black Butte, Redmond and Bend at \$18.95 per month.¹³ Cal-Ore
16 Communications’ website shows residential telephone service in Klamath Falls as
17 being available for \$25.99 per month (including three features), with packages

¹⁰ <http://www.comcast.com/Corporate/About/PhoneTermsOfService/ComcastDigitalVoice/CDVBStatePricingLists/Oregon.html>

¹¹ In addition to its aggressive focus on providing telephone service in the residential market, Comcast is now aggressively targeting the small/medium business market, focusing on business customers with one to 20 lines at a location.

¹² For example, Comcast recently conducted a promotion of its Digital Voice service in Portland, offering a promotional price of \$19.99 per month for six months. This promotion expired on January 21, 2008. Source: Comcast direct mail flyer delivered to a Qwest employee’s Portland residence.

¹³ http://www.bendbroadband.com/residential_phone.cfm.

1 including broadband internet access available for up to \$65.99 per month.¹⁴
2 Cordia Communications' website shows residential and business local exchange
3 services available in Oregon starting at \$26.95 and \$39.95 respectively (which
4 each include calling features such as Call Waiting, Caller ID and Speed Dialing,
5 but which exclude unlimited long distance calling).¹⁵
6

7 **Q. WHAT QWEST SERVICE PACKAGES ARE AVAILABLE IN OREGON**
8 **THAT COMPETE WITH THESE SERVICE ALTERNATIVES?**

9 A. Qwest offers service packages, similar to the alternative services described in my
10 previous response, such as the "Qwest Choice" packages. Qwest's "Choice
11 Home" residential package is priced at \$32.49 (including the \$6.50 End User
12 Common Line charge, but excluding the variable EAS rate) and is \$52.49 with
13 unlimited long distance calling. The Qwest Choice Business package is priced at
14 \$46.49 (including the \$6.50 End User Common Line charge, but excluding the
15 variable EAS increment) and is \$71.49 with unlimited long distance calling.
16 These packages are very popular and represent a key market focus for Qwest's
17 competitors.
18

¹⁴ <http://www.cot.net/solutions/area4>. In addition, Cal-Ore lists various *a la carte* features available in Klamath Falls, as follows: Call Forwarding, \$1.50; Three-Way Calling, \$2.00; Call Waiting and Caller ID, \$2.00; Caller ID with name, \$3.95; Selective Call Rejection, \$3.00; Call Return, \$2.50; Speed Calling-8, \$1.50; Toll Restriction, \$2.00; Selective Call Forwarding, \$3.00; Remote Call Forwarding, \$2.00; Economy Voice Mail, \$3.95; etc.

¹⁵ <https://www.cordia.us/default.asp?ix=5&ix1=2&id=13935&xplan=>

1 **Q. ARE OTHER INFORMATION SOURCES AVAILABLE THAT CAN**
2 **PROVIDE INSIGHTS INTO THE TELECOMMUNICATIONS PRICES**
3 **OFFERED BY QWEST'S COMPETITORS IN OREGON?**

4 A. Yes. In some instances, competitors provide non-confidential pricing offers to
5 individual customers for certain telecommunications services that can provide
6 such insights. For example, a Qwest business customer located in Pendleton
7 provided Qwest a non-confidential copy of a pricing proposal from Eastern
8 Oregon Telecom showing recurring pricing for Centrex lines at \$20.50, DSL at
9 \$49.95, data T-1 at \$229.00 and Primary Rate T-1 at \$495.00. (See Exhibit
10 Qwest/3). Similarly, a customer in Hubbard provided Qwest a redacted copy of
11 an invoice from Rio Communications showing a T-1 voice service and a 512
12 kilobit data T-1 service, both priced at \$150. Direct pricing comparisons for T-1
13 services are not straightforward, since T-1 services are often offered with term
14 and volume discounts, as well as incremental mileage charges that vary by circuit
15 distance. However, as a point of comparison, Qwest offers intrastate DS1 service
16 in Oregon (comparable to a T-1 service) at a monthly rate (before discounts which
17 can provide significant savings depending upon term of contract and circuit
18 volume) of \$280, plus mileage. These are just a few examples of the types of
19 competitive services available in Oregon showing that alternative services are
20 available beyond the major metropolitan areas of the state.

21

1 **Q. WHAT SIGNIFICANT EVENTS HAVE OCCURRED IN THE RECENT**
2 **PAST THAT WILL AFFECT THE LEVEL OF CLEC COMPETITION IN**
3 **OREGON IN 2008 AND BEYOND?**

4 A. Three very significant mergers (SBC with AT&T and Verizon with MCI were
5 announced in 2005, and Eschelon with Integra in 2007) occurring in the past few
6 years have impacted, and will continue to impact, the CLEC industry in a major
7 way. Since each of these entities is now providing services in Oregon, the merged
8 entities are now able to leverage their considerable synergies to become even
9 more powerful telecommunications competitors in the state in providing
10 intramodal and intermodal services¹⁶ as direct substitutes for Qwest's retail
11 telecommunications services in Oregon.

12
13 **b. Wireless Service Competition**

14
15 **Q. DO WIRELESS SERVICES NOW REPRESENT A SIGNIFICANT FORM**
16 **OF TELECOMMUNICATIONS COMPETITION IN OREGON?**

¹⁶ In addition to facilities and services deployed in Oregon, primarily to serve the business market, both AT&T and Verizon offer "stand-alone" VoIP services in the state which are available to any subscriber with access to a broadband internet connection. AT&T's VoIP service is entitled "CallVantage," and is available at monthly rate of \$19.99, including over ten calling features. *See* <http://www.usa.att.com/callvantage/plans/offerdetail.jsp?offerid=CPCVL&soac=41353>. Verizon's stand-alone VoIP offering is entitled "Verizon VoiceWing," and is available in Oregon at a price of \$24.95 per month, including unlimited long distance calling and over ten calling features. Verizon also offers a "VoiceWing 500" option, which includes 500 minutes of monthly calling (local or long distance), plus ten calling features, at a monthly price of \$19.95. *See* <https://www2.verizon.com/ForYourhome/voip/HowMuch.aspx>. Additionally, Verizon, through its merger with MCI, continues to offer landline-based telephone service packages in Oregon entitled "The Neighborhood," which include three calling features (Voicemail, Call Waiting and Caller ID), unlimited local calling and varying amounts of long distance calling for monthly prices as low as \$29.99. *See* http://consumer.mci.com/TheNeighborhood/res_local_service/jsps/join_plans.jsp?subpartner=DEFAULT.

1 A. Yes. Wireless phones are now widely accepted by business and residential
2 consumers alike for voice telephony. In addition, wireless providers are now
3 augmenting their services with data applications such as wireless Internet access,
4 text messaging and image transmission to bring additional functionality to their
5 services and to attract new customers. These enhancements have fueled the
6 continuing and remarkable growth in wireless service subscribership. In fact, as
7 noted earlier in my testimony, the number of wireless subscribers in Oregon has
8 increased by more than 120 percent from 1.2 million in December 2000 to 2.7
9 million as of December 2006—a number that significantly exceeds the combined
10 total of ILEC and CLEC telephone lines in the state.

11

12 **Q. WHAT WIRELESS CARRIERS ARE NOW ACTIVE IN PROVIDING**
13 **SERVICES IN QWEST’S SERVICE TERRITORY IN OREGON?**

14 A. Competitive wireless service is now available in Qwest’s service territory in
15 Oregon from various major carriers such as AT&T, Alltel, Cricket,¹⁷
16 Sprint/Nextel, T-Mobile, and Verizon.¹⁸ Virtually every Qwest customer in
17 Qwest’s service territory in the state is within the wireless coverage area of at
18 least one of these providers.

19

¹⁷ Cricket currently serves over 60 cities in Oregon, including communities such as Albany, Clackamas, Corvallis, Cottage Grove, Eugene, Independence, Oregon City, Portland, Salem, etc., and offers flat-rated wireless telephone service specifically designed as a direct substitute for traditional landline telephone service. See <http://www.mycricket.com/cricketcoveragemaps>.

¹⁸ Other small wireless carriers, such as Snake River PCS, UniceL and U.S. Cellular, also serve various areas of Oregon. See e.g., <http://www.mountainwireless.com/cellor.shtml>. Qwest also provides wireless service in Oregon via a resale arrangement with Sprint/Nextel.

1 **Q. IS IT YOUR CONTENTION THAT WIRELESS SERVICE CAN**
2 **CURRENTLY BE CONSIDERED A DIRECT SUBSTITUTE FOR QWEST**
3 **WIRELINE SERVICES IN EVERY APPLICATION?**

4 A. No. Qwest does not contend that wireless service is viewed by every Oregon
5 customer as a complete substitute for traditional wireline service. A certain
6 number of customers would likely never switch from wireline service to wireless
7 service, no matter how attractive wireless service becomes. However, it is clear,
8 when current facts regarding wireless service functionality (for voice, as well as
9 data/internet applications), price and convenience are examined, wireless service
10 is now a viable substitute for Qwest's wireline services for a significant number
11 of Oregonians and that the rate of such substitution will continue to increase.
12 Clearly, this form of competition is real, continues to grow in intensity, and
13 represents a form of price-constraining competition in the Oregon
14 telecommunications market.

15

16 **Q. HAS THE FCC RELEASED ANY ADDITIONAL DATA SHOWING THE**
17 **INCREASING TREND IN SUBSTITUTION OF WIRELESS SERVICE**
18 **FOR TRADITIONAL WIRELINE SERVICES?**

19 A. Yes. In its most recent Commercial Mobile Radio Service ("CMRS")
20 competition report,¹⁹ the FCC provides facts with regard to the percentage of
21 households that have "cut the cord" (disconnected wireline telephone service and

¹⁹ Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services, Eleventh Report, September 29, 2006.

1 that rely exclusively on wireless service for their voice telecommunications
2 needs). The FCC states:

3 While exact percentages are difficult to determine, wireless
4 substitution has grown significantly in recent years. According to
5 the 2005 National Health Interview Survey (NHIS), 7.8 percent of
6 adults lived in households with only wireless phones in the second
7 half of 2005, up from 5.5 percent in the second half of 2004 and
8 3.5 percent in the second half of 2003.²⁰
9

10 The data referenced by the FCC indicates a linear increase in the proportion of
11 wireline subscribers who have “cut the cord,” and there is no sign that this trend is
12 abating. In fact, the most recent NHIS study (the same source referenced by the
13 FCC in the citation above), released on December 10, 2007, states:

14 In the first 6 months of 2007, 13.6% of households did not have a
15 traditional landline telephone, but did have at least one wireless
16 telephone.²¹
17

18 The most current NHIS data confirms its earlier findings: the proportion of
19 wireless subscribers substituting wireless service for traditional telephone service
20 has continued to increase at a rapidly escalating rate and, at 13.6 percent, is more
21 than 70 percent above the level that existed in the second half of 2005, according
22 to NHIS survey results. Interestingly, the NHIS findings also show that the rate
23 of wireless/wireline substitution is even higher in certain population segments.
24 For example, the most recent NHIS survey found that nearly 31 percent of adults
25 between 25 to 29 years of age have only wireless service in the home, and nearly
26 22 percent of adults classified as living in households at the poverty level live in

²⁰ *Id.*, ¶ 205.

²¹ NHIS Survey, January-June 2007, page 2.

1 households with only wireless telephone service.²² In other words, these
2 subscribers have weighed the benefits of wireless and traditional landline
3 telephone services and have concluded that their telecommunications needs can
4 be satisfactorily met by wireless service, to the exclusion of landline telephone
5 service, and if a decision must be made as to retaining both landline and wireless
6 service, landline service only, or wireless service only, a very significant
7 proportion of the customer base is electing to retain only wireless telephone
8 service.

9

10 **Q. PRESUMING THE NHIS “WIRELESS SUBSTITUTION” RESEARCH**
11 **FINDINGS FAIRLY REPRESENT ACTUAL CUSTOMER BEHAVIOR,**
12 **CAN THIS DATA BE USED TO ESTIMATE THE NUMBER OF**
13 **OREGON HOUSEHOLDS THAT HAVE OPTED TO “CUT THE CORD”**
14 **AND WHO THUS EXCLUSIVELY RELY ON WIRELESS TELEPHONE**
15 **SERVICE?**

16 A. Yes. The latest U.S. Census bureau data shows that there were 1,586,498
17 households in Oregon in 2006.²³ Presuming the national 13.6 percent “wireless
18 only households” findings shown in the latest NHIS study are generally
19 applicable for Oregon households—and there is no reason to believe that Oregon
20 wireless subscribers utilize their wireless phones in a manner materially different
21 than that of wireless subscribers in other states—it can be estimated that

²² *Id.*, page 3.

²³ <http://quickfacts.census.gov/qfd/states/41000.html>

1 approximately 213,315 Oregon households have foregone traditional landline
2 telephone service in favor of wireless telephone service (e.g., $1,586,498 \times .136 =$
3 213,315). This is an indicator of the continuing evolution of the nature of
4 telecommunications competition and that Oregon customers are no longer limited
5 to a choice of only Qwest or CLEC telecom services.

6

7 **Q. ARE WIRELESS SERVICES NOW ATTRACTIVE AND DIRECT**
8 **ALTERNATIVES TO QWEST'S LOCAL EXCHANGE SERVICES?**

9 A. Yes. Wireless services now provide functionality nearly identical (and in some
10 instances, superior) to wireline service, from the perspective that both provide
11 switched voice communication capability, access to directory assistance, access to
12 popular calling features (such as call waiting, Caller ID, voice messaging, etc.),
13 access to operator services, number portability (e.g., customers may now port a
14 wireline telephone number to a wireless carrier, and vice versa) and access to
15 E911 service.²⁴ Beyond these similarities, wireless services provide tangible
16 benefits to certain customer segments that may add to the perceived value of
17 wireless service. For example, for elderly or disabled persons, wireless service is
18 highly portable and the compact wireless telephones now available can easily be
19 carried by an elderly person in a shirt pocket or the pocket of a housecoat. If such
20 a person were to fall and be physically unable to reach a wireline telephone, the

²⁴ Qwest does not maintain that wireless service is identical to Qwest local exchange service, nor does Qwest contend that wireless service is viewed by all Qwest customers as being an acceptable substitute for Qwest local exchange service. Rather, Qwest contends that wireless service is now viewed as an acceptable substitute for Qwest local exchange service by a large and increasing base of Qwest's subscribers and that this represents an additional form of price-constraining competition.

1 extra convenience of a wireless telephone readily at hand to summon emergency
2 help could prove invaluable in a life-threatening health emergency.

3

4 From a price perspective, various options are available from wireless carriers that
5 are designed to meet the diverse needs of customers. In some instances, the
6 customer may have a need for only standard telephone service, with a limited
7 number of features, for use in occasionally contacting family members, placing
8 occasional long distance calls, or for emergencies such as the one described
9 above. Thus, in comparing rates for wireless service plans with Qwest local
10 services, it can easily be seen that wireless services are very attractive alternatives
11 to Qwest's local services.

12

13 For example, the price for Qwest's standard flat residential telephone service in
14 Rate Group 1 (which contains the preponderance of Qwest residential access lines
15 in Oregon), including the \$6.50 single line End User Common Line ("EUCL")
16 charge, is currently \$19.30 per month. The statewide average residential EAS
17 rate in Oregon is \$2.04,²⁵ and thus, adding this average to the Rate Group 1
18 residential line rate would bring the total rate for stand-alone residential service to
19 \$21.34. If a customer elects to have only one popular optional calling feature, the
20 net monthly service rate would be approximately \$30.00. For example, the
21 popular Caller ID with Privacy feature is priced at \$9.95 per month in Oregon.

²⁵ See Amended Petition of Qwest Corporation for Approval of Price Plan Pursuant to ORS 759.255, Exhibit B, filed February 11, 2008.

1 Addition of that single feature would result in a net monthly rate of \$31.29 in this
2 example. In addition, when comparing wireless service pricing to Qwest’s local
3 exchange service prices, it is important to keep in mind that wireless carriers
4 charge neither EAS nor EUCL rate elements, and because of FCC action years
5 ago, wireless “free” local calling areas are much larger than Qwest’s (e.g., many
6 calls that are classified as long distance in Qwest’s network are considered “local”
7 on wireless carriers’ networks, and the fact that “long distance” is not separately
8 charged by many wireless carriers can represent a significant savings to customers
9 as compared to landline telephone services).²⁶

10

11 **Q. WHEN COMPARING PRICES OF WIRELESS PLANS AND THE NET**
12 **PRICE OF QWEST’S LOCAL EXCHANGE SERVICES (INCLUDING**
13 **APPLICABLE CHARGES AND FEES AS DISCUSSED ABOVE), ARE**
14 **WIRELESS SERVICES IN OREGON AVAILABLE AT COMPELLING**
15 **PRICES?**

16 A. Yes. A number of wireless plans are currently available in Oregon at prices very
17 competitive with Qwest’s local exchange services. For example, T-Mobile offers
18 its “Individual Basic Plan” in Oregon, which includes 300 “anytime” minutes
19 (with unlimited night and weekend minutes) at \$29.99 per month.²⁷ Sprint PCS
20 offers its “Fair and Simple America Plan” (also featuring unlimited night and

²⁶ Since many incremental telecommunications charges and fees, such as EAS and EUCL charges, are not assessed by wireless carriers to their customers, the absence of these charges has a direct bearing on a comparison of total charges paid for landline telecommunications services versus wireless services, making the aggregate price paid for wireless service very competitive with landline services.

²⁷ <http://www.t-mobile.com/shop/plans/>

1 weekend calling, as well as free calling features) at prices as low as \$29.99 per
2 month.²⁸ Cricket offers an “Unlimited Choice” plan without calling features at
3 \$30.00 per month, which includes the benefit of unlimited local and long distance
4 calling.²⁹ It is also noteworthy that Cricket is the most aggressive wireless carrier
5 in marketing its service as a direct replacement for traditional landline telephone
6 service. In fact, in a December 19, 2007 press release regarding its successes in
7 Oregon, Cricket proclaimed that “68 percent of Cricket customers do not have a
8 traditional home phone service, electing to use their wireless phone as their only
9 phone, compared to 15 percent for other wireless carriers (according to the
10 Yankee Group).” Even for the current Qwest landline customer who wants only
11 basic telephone access, without a wide range of calling features, these examples
12 show that reasonably-priced wireless alternatives to Qwest’s traditional landline
13 services are readily available in Oregon.

14
15 **Q. IS WIRELESS SERVICE A REALISTIC ALTERNATIVE FOR A**
16 **CURRENT QWEST CUSTOMER WHO CHOOSES TO SUBSCRIBE**
17 **ONLY TO A QWEST RESIDENTIAL ACCESS LINE AND WHO USES**
18 **ABSOLUTELY NO LONG DISTANCE OR CALLING FEATURES?**

19 A. Yes. For instance, a Qwest customer on a fixed income may wish to subscribe to
20 “stand alone” telephone service primarily as a means of summoning assistance in
21 the event of a health emergency. For that customer, a prepaid wireless service

²⁸http://nextelonline.nextel.com/NASApp/onlinestore/en/Action/DisplayPlans?filterString=Individual_Plans_Filter&id12=UHP_PlansTab_Link_IndividualPlans

1 may be a satisfactory and direct substitute for Qwest residential local exchange
2 service, which is priced in Rate Group 1 at \$19.30 per month (including the End
3 User Common Line charge). T-Mobile, as an example, offers a prepaid wireless
4 plan at \$10.00 for 30 minutes of calling.³⁰ For the customer who desires to have a
5 telephone immediately accessible primarily for emergency purposes, a prepaid
6 wireless plan could represent significant monthly savings over the local exchange
7 landline service, while providing the added mobility benefit of wireless service.

8

9 **Q. ARE WIRELESS SERVICE OPTIONS AVAILABLE FOR CUSTOMERS**
10 **WHO DEMAND CALLING FEATURES AND “BUNDLED” LONG**
11 **DISTANCE CALLING IN ADDITION TO THE ABILITY TO PLACE**
12 **AND RECEIVE LOCAL TELEPHONE CALLS?**

13 A. Yes. Certain customers have a preference for a packaged service consisting of
14 local calling and a fixed range of calling features. In Oregon, Qwest offers its
15 Choice Home residential package at \$32.49 (including the \$6.50 single line
16 EUCL charge, but excluding the variable Extended Area Service charge) designed
17 for this type of customer. Qwest also offers an unlimited long distance calling
18 option at an incremental charge of \$20.00 per month, bringing the net price of a
19 local service package, plus the unlimited long distance option to more than \$50.00
20 per month.

21

²⁹ www.mycricket.com

1 A variety of wireless service plans are available that provide similar attributes and
2 that are priced very competitively. For example, T-Mobile's "Individual Plus"
3 plan, which includes 1,000 anytime minutes, free long distance, unlimited night
4 and weekend minutes and call waiting, Caller ID, 3-way calling and voice
5 messaging, is available in Oregon at \$39.99 per month.³¹ Cricket offers its
6 "Unlimited Choice" service for \$45.00 per month, which includes unlimited local
7 and long distance calling, Call Waiting, Caller ID, 3-Way calling and Voice
8 Messaging, as well as the benefit of mobility.³² Sprint offers its Fair and Flexible
9 America Option 2 plan at \$39.99, which includes 450 anytime minutes, unlimited
10 night and weekend minutes, Call Waiting, Caller ID, 3-Way Calling and Voice
11 Messaging.³³ While there is a wide range of additional calling plans available
12 from the wireless providers currently serving Oregon, this small sampling of plans
13 shows that many packaged wireless plans directly competitive with Qwest's
14 Choice Home package are now readily available.

15

16 **Q. IS WIRELESS SERVICE COMPETITION LIMITED TO THE SERVICES**
17 **OFFERED BY MOBILE WIRELESS SERVICE PROVIDERS IN**
18 **OREGON?**

³⁰ <http://www.t-mobile.com/shop/plans/Default.aspx?plancategory=4>. In addition, with prepaid plans, no credit checks or deposits are required.

³¹ www.T-Mobile.com

³² www.mycricket.com

³³ http://nextelonline.nextel.com/NASApp/onlinestore/en/Action/DisplayPlans?filterString=Individual_Plans_Filter&id12=UHP_PlansTab_Link_IndividualPlans

1 A. No. In contrast to “mobile” wireless services offered by the various wireless
2 service providers in Oregon, the Oregon Economic and Community Development
3 Department has identified at least 30 companies providing “fixed wireless”
4 services in the state, including companies such as Clearwire, Ash Creek Wireless,
5 Eastern Oregon Network, OregonFAST.net, SawNet and others.³⁴ These
6 competitive wireless services are readily available and are typically marketed as a
7 means of obtaining broadband access to the internet as an alternative to accessing
8 the internet via traditional landline facilities such as DSL or cable modem
9 services.

10

11 **c. Voice over Internet Protocol (“VoIP”) Competition**

12

13 **Q. IS VoIP TELEPHONE SERVICE NOW A VIABLE ALTERNATIVE TO**
14 **QWEST’S TRADITIONAL RESIDENTIAL AND BUSINESS LANDLINE**
15 **SERVICES IN OREGON?**

16 A. Yes. This communications technology, which typically provides unlimited local
17 and long distance service, plus an array of calling features, is now readily
18 available to any residential or business customer with broadband internet access³⁵
19 and, as discussed later in my testimony, a range of providers are now actively
20 offering this service to customers in Oregon. As a preliminary matter, some may
21 contend the fact that a broadband connection is needed to enable VoIP service

³⁴ <http://www.oregon4biz.com/index.htm>

1 renders VoIP non-price competitive with Qwest's local exchange services.
2 However, such a precept would imply that a customer would only purchase
3 broadband service to facilitate VoIP. In fact, however, Qwest does not contend
4 that customers purchase broadband services strictly to have the ability to
5 subscribe to VoIP services. Rather, customers purchase broadband services
6 primarily for internet access for business or household purposes, and the
7 broadband connection is therefore preexisting for most residential and business
8 customers considering subscribing to VoIP. For these customers, there is no
9 incremental cost for broadband when they elect to add VoIP service, and thus the
10 cost of broadband is not relevant to the VoIP purchase decision in that instance.

11

12 **Q. DOES QWEST HAVE EMPIRICAL DATA SHOWING THE ACTUAL**
13 **NUMBER OF VoIP SUBSCRIBERS IN OREGON?**

14 A. No. Such data is proprietary to the various VoIP providers serving the state and
15 has not been publicly released. However, VoIP is clearly a rapidly growing
16 communications technology as a competitive alternative to traditional landline-
17 based telephone services, and industry publications often provide public data
18 regarding aggregate VoIP adoption rates at the national level. For instance, the
19 Yankee Group, a major research firm that regularly studies the communications
20 industry in the U.S., found that "VoIP adoption continued at an aggressive pace in

³⁵ Broadband internet access is now available from a number of sources, including cable modem service, digital subscriber line, wireless broadband and satellite.

1 2006, growing more than 125% and reaching more than 9 million subscribers”
2 and that “consumer VoIP will reach more than 37 million subscribers in 2011.”³⁶

3

4 **Q. DO QWEST DSL SERVICE SUBSCRIBERS HAVE THE OPTION OF**
5 **UTILIZING THE DSL CONNECTION TO SUBSCRIBE TO VoIP**
6 **SERVICE IN LIEU OF TRADITIONAL QWEST LOCAL EXCHANGE**
7 **SERVICES?**

8 A. Yes. Residential and business customers within Qwest’s service territory may
9 subscribe to Qwest DSL service on a “stand-alone” basis (i.e., they are not
10 required to subscribe to standard Qwest local exchange service as a precondition
11 to subscribing to Qwest DSL service). Customers choosing to subscribe to stand-
12 alone Qwest DSL service are able to utilize non-Qwest VoIP residential and
13 business services (in addition to the option to subscribe to wireless, cable-based
14 telephone or CLEC services) offered by any of a wide range of providers, as
15 described in my following testimony.

16

17 **Q. DO YOU HAVE EVIDENCE OF THE GROWTH OF BROADBAND**
18 **INTERNET ACCESS SERVICE IN OREGON?**

19 A. Yes. As discussed earlier in my testimony, broadband access lines in Oregon
20 have grown at an astounding rate from 76,839 in December 2000 to 1,055,986 in
21 December 2006, an increase of more than 1,200 percent. Broadband service is

³⁶ <http://www.yankeegroup.com/pressReleaseDetail.do?actionType=getDetailPressRelease&ID=1020>

1 now widely available³⁷ and Oregon customers have embraced this service in large
2 and rapidly increasing numbers. Each of the large and ever-increasing number of
3 broadband customers represents a current or potential VoIP subscriber.

4
5 **Q. WHICH PROVIDERS ARE NOW OFFERING VoIP SERVICES IN**
6 **OREGON?**

7 A. In addition to cable-based service providers such as Comcast,³⁸ Charter³⁹ and
8 BendBroadband⁴⁰ (each of which provide VoIP-based services to customers via
9 cable broadband connections), there are currently well over 50 “stand alone”
10 VoIP service providers available to any Oregon customer with access to a
11 broadband internet connection. These companies include VoIP service providers
12 and services such as 1TouchTone.com, AT&T CallVantage, Broadvoice, Lingo,
13 myPhoneCompany Net2Phone, Packet8, Verizon VoiceWing, Voip.com, Vonage
14 and others.⁴¹

15

³⁷ The FCC’s most current data shows that 99% of Oregon zip codes have at least one broadband service provider. *See* High-Speed Services for Internet Access: Status as of December 31, 2006, Table 17.

³⁸ Comcast serves many of Oregon’s largest cities, such as Portland, Salem and Eugene, and virtually all of Qwest’s service territory along Interstate 5 between Portland and Salem. *See* <http://www.comcast.com/shop/buyflow/default.ashx>.

³⁹ Charter serves virtually all Qwest service areas in southern Oregon (with the exception of Ashland), the northern Oregon coast, including Astoria, Seaside and Cannon Beach, as well as Pendleton and Baker in eastern Oregon. *See* <http://www.charter-business.com/Charter-Business-SiteLocator.aspx>

⁴⁰ BendBroadband deployed VoIP service to the central Oregon area (including Sisters, Redmond and Bend), priced at \$39.95 when purchased with BendBroadband cable television service, and at \$49.95 when purchased *a la carte*. This service includes 19 calling features. *See* http://www.bendbulletin.com/apps/pbcs.dll/article?AID=/20060102/BIZ0102/601020315/1011&nav_cat_egory=.

⁴¹ <http://www.voip-info.org/wiki/view/VOIP+Service+Providers+Residential#NorthAmerica>

1 **Q. CAN YOU PROVIDE EXAMPLES OF THE RANGE OF VoIP**
2 **OFFERINGS CURRENTLY AVAILABLE IN OREGON THAT**
3 **REPRESENT ALTERNATIVES TO QWEST'S RESIDENTIAL AND**
4 **BUSINESS WIRELINE SERVICES?**

5 A. Yes. In addition to the cable-based VoIP services available in Oregon, such as the
6 residential and business Comcast digital telephone services discussed earlier in
7 my testimony, "stand-alone" VoIP services from the above list of providers are
8 available to any subscriber with a broadband internet connection anywhere within
9 Qwest's service territory in Oregon. These services are feature-rich and typically
10 include unlimited long distance calling in the standard service price. The VoIP
11 services now available utilize standard telephone sets connected via special
12 modem adapters to the internet and VoIP users place and receive voice telephone
13 calls in the same manner, at very attractive prices and with call quality similar to
14 standard local exchange telephone service.

15

16 For example, Vonage offers a "Premium Unlimited" package with unlimited local
17 and long distance calling for \$24.99 per month. Vonage also offers a "Basic 500"
18 plan which includes 500 local or toll minutes per month and a package of features
19 including call waiting, Caller ID, 3-way calling and voice messaging for \$14.99
20 per month.⁴² Verizon VoiceWing offers an unlimited calling option – the
21 VoiceWing Unlimited plan – for \$24.95 per month, and the Verizon VoiceWing
22 500 plan, which provides 500 minutes of local or long distance calling, plus

1 calling features, for \$19.95 per month. Verizon also offers to business customers
2 the VoiceWing MultiLine plan at \$44.95 per month.⁴³ Finally, Lingo/Primus
3 offers an unlimited residential VoIP plan at \$21.95 per month and a “Small Talk”
4 plan providing 500 minutes of local or long distance calling for \$14.95 per
5 month.⁴⁴

6

7 These are just a few of the VoIP plans readily available to customers in Qwest’s
8 Oregon’s service territory from a wide range of VoIP providers in Oregon and
9 represent the range of package pricing generally offered by these providers.

10

11 **Q. SHOULD VoIP SERVICE BE CONSIDERED TO BE A VIABLE FORM**
12 **OF RETAIL TELECOMMUNICATIONS COMPETITION IN OREGON**
13 **AS THE COMMISSION CONSIDERS WHETHER MARKET FORCES**
14 **NOW SUFFICIENTLY CONSTRAIN QWEST’S PRICING PRACTICES?**

15 A. Absolutely. As I reported earlier in my testimony, there are now well over one
16 million high-speed broadband internet subscribers in Oregon, a number that has
17 increased by more than 1,200 percent since 2000. There is no indication that the
18 adoption rate of broadband internet service in Oregon has peaked, and every one
19 of this large and increasing number of subscribers can now select from a wide
20 range of VoIP service providers in obtaining telephone services that are directly
21 competitive with Qwest’s. Other state commissions have examined the scope of

⁴² <http://www.vonage.com>

⁴³ <https://www22.verizon.com/ForYourhome/voip/HowMuch.aspx>

1 competition in the current telecommunications landscape and have concluded that
2 VoIP services should be included in such an evaluation. For example, the
3 California Commission examined the nature of telecommunications competition
4 in that state in its Uniform Regulatory Framework (“URF”) proceeding and
5 determined that VoIP service is a central competitive factor. In its 2006 press
6 release announcing regulatory forbearance for incumbent telephone companies in
7 California, the Commission stated:

8 Until today, the PUC imposed many regulatory reporting
9 requirements and conducted extensive reviews of landline
10 telephone prices. The PUC, however, did not impose these rules
11 on many competitors that have entered into the communications
12 market in recent years. These voice competitors include cable
13 companies, Voice over Internet Protocol providers, and mobile and
14 fixed wireless companies.⁴⁵

15 Clearly, in determining that market forces are now sufficient to constrain nearly
16 all ILEC retail telecommunication service prices, the California Commission
17 concluded that VoIP (as well as competition from wireless and cable service
18 providers) is now a significant factor in the competitive telecommunications
19 landscape.

20

⁴⁴ http://www.lingo.com/voip/residential/unlimited_internet_phone_service.jsp

⁴⁵ *PUC Adopts Major Telecommunications Pricing Reforms: Basic Residential Phone Prices Frozen Until January 2009*, California Public Utilities Commission (“PUC”) press release, August 24, 2006, referencing PUC Rulemaking 05-04-005.

1 **VII. QWEST’S PROPOSED OREGON PRICE PLAN**

2
3 **a. Current Regulatory Framework**

4
5 **Q. PLEASE BRIEFLY DESCRIBE THE FORM OF RETAIL SERVICE**
6 **REGULATION UNDER WHICH QWEST CURRENTLY OPERATES IN**
7 **OREGON.**

8 A. On December 29, 1999, Qwest elected to be subject to price cap regulation under
9 ORS 759.405 to ORS 759.410, and Qwest is currently regulated under those
10 statutes. In essence, this is a form of “price cap” regulation that provides Qwest
11 pricing flexibility for most retail services (with the exception of certain services
12 classified as “basic”) between specified “price ceilings” and “price floors.” Based
13 upon its election, Qwest basic service is subject to regulation only under
14 ORS 759.405 to ORS 759.410, and is not subject to any other retail rate
15 regulation, including any form of earnings-based, rate-based or rate-of-return
16 regulation. ORS 759.410(2).

17
18 Under ORS 759.410(3), intrastate retail telecommunications services that the
19 Commission has defined as “basic” are established at rates that the Commission
20 sets under ORS 759.425. The Commission set Qwest’s basic service rates in
21 September 2001 in Order No. 01-810 in Docket UT 125. Qwest’s rates for “non-
22 basic” intrastate retail and switched access services are subject to price caps
23 (maximum price) equal to the rates the Commission established in Docket UT 125
24 (see ORS 759.415), and are also subject to price floors (minimum prices) equal to
25 the sum of the total service long-run incremental cost (“TSLRIC”) of providing

1 the nonessential functions of the service and the price that is charged to other
2 telecommunications carriers for the essential services. ORS 759.410(4). Basic
3 telephone service, however, is not subject to a price floor. *Id.*

4
5 During the period in which Qwest has been operating under ORS 759.405 to
6 759.410, it has obtained Commission orders and entered into several agreements
7 with Commission Staff that have simplified Qwest's regulatory obligations,
8 consistent with the fact that Qwest is not subject to earnings-based regulation. In
9 Order No. 00-382, for example, the Commission suspended and/or modified filing
10 requirements for Qwest for affiliated interest contracts and related reports. In
11 Order No. 06-514, the Commission simplified Qwest's obligations with respect to
12 certain depreciation and accounting issues (OAR 860-027-0050). In addition, on
13 September 9, 2003, Qwest and Commission Staff agreed to certain "Guidelines"
14 which clarified, modified, and/or waived Qwest's obligations under various
15 statutes or Commission rules. The subjects addressed include:
16 withdrawal/abandonment of service (OAR 860-032-0020); special contracts (ORS
17 759.250); calculation of price floors; promotions (ORS 759.182, OAR 860-026-
18 0025(2)); affiliate interest filings (ORS 759.385, *et seq.*); and financial reporting
19 (*former* ORS 759.100 to 759.115; ORS 759.120 to 759.130). Further, in
20 correspondence with the Commission in 2004, the Commission agreed to modify
21 certain of Qwest's reporting obligations with respect to financial information.
22 Further still, Qwest entered into additional agreements with Staff in November
23 2004. Among other things, these agreements reduce and/or simplify Qwest's
24 reporting obligations with respect to the filing of Form O and Form I and other
25 financial reports (OAR 860-027-0070), construction budgets (OAR 860-027-0005
26 and -0015), and affiliated interest transactions (OAR 860-027-0040, -0041, and -

1 0100). Finally, in a Memorandum of Understanding (“MOU”) between Qwest
2 and Staff dated May 26, 2004, and approved by the Commission in Order No. 04-
3 404, Qwest and Staff agreed to guidelines regarding accounting for the sale of
4 assets and the imposition of municipal charges.

5

6

b. Overview of Proposed Price Plan

7

8 **Q. WHY IS QWEST NOW PROPOSING A PRICE PLAN IN OREGON?**

9 A. As described in my testimony, the telecommunications market has changed
10 significantly since 1999 when Qwest elected to opt out of rate of return regulation
11 and into “price cap” regulation under ORS 759.405 and ORS 759.410. Multiple
12 intramodal and intermodal competitive alternatives to Qwest’s retail
13 telecommunications services are now readily available to all Oregonians—many
14 of which were not widely available in 1999 when Qwest opted into this price cap
15 regulation.⁴⁶ Qwest believes that the Oregon Legislature, when it enacted statutes
16 providing for alternative forms of regulation, including price plans under ORS
17 759.255, recognized that the telecommunications market would evolve over time
18 and that regulation of telecommunications utilities should appropriately reflect the
19 prevailing level of competition in that market. Since competitive alternatives for
20 Qwest’s retail telecommunications services now exist widely, the market—rather
21 than artificial price caps or other traditional regulation—should now be allowed to
22 determine appropriate price levels for retail telecommunications services.

⁴⁶ For example, while wireless telephones, internet protocol telephony and broadband services were in existence in 1999, the prices and functionalities of these services at that point in time were generally not such that they could be used as direct substitutes for Qwest retail services. The technology and deployment scope of these services, and their rapidly declining prices, have now evolved to the point at which these services are, in fact, being commonly used as direct substitutes for Qwest retail services in Oregon.

1

2 **Q. DOES QWEST'S PROPOSED PRICE PLAN RELIEVE QWEST OF ALL**
3 **REGULATORY OBLIGATIONS IN OREGON?**

4 A. No. In fact, Qwest's proposed Plan is simply the next step in easing regulatory
5 constraints on Qwest commensurate with the rapidly changing and escalating
6 level of competition discussed earlier in my testimony, but it provides for specific
7 mechanisms to ensure that Qwest is operating reasonably in the evolving
8 competitive environment. Under Qwest's proposal, the Commission would retain
9 substantial oversight over Qwest's operations in Oregon, including the ability to
10 review Qwest's tariff and price list filings for Qwest retail services covered by the
11 Plan, continued authority over Qwest's service quality (under the Commission's
12 existing service quality rules) and the ability to investigate Qwest's prices. If a
13 service were not regulated, in contrast, these oversight elements would no longer
14 be applicable.

15

16 **Q. PLEASE BRIEFLY SUMMARIZE QWEST'S PROPOSED PRICE PLAN.**

17 A. Qwest's proposed Plan is designed to preserve for residential and small business
18 customers the availability of affordable telephone service, while providing Qwest
19 with the flexibility to respond to dynamic market forces in a very competitive
20 environment. Qwest's Plan would cap the monthly recurring rates for primary
21 line basic service for residential and business customers (defined as the first line
22 to a specific customer location) and guarantee the continued availability of those
23 services on a stand-alone basis.⁴⁷ The recurring price caps for these services

⁴⁷ To avoid effecting significant price increases for particular retail local exchange services caused by the need to maintain prices for services in the Plan above prices floors, certain basic business services in Rate Group 3 will not be included in the Plan. These Rate Group 3 services include business single party flat rate local exchange service, business single party measured local exchange service, including local

1 would be established at \$2.00 above the current monthly prices for these services,
2 and Qwest would be allowed to increase or decrease prices for these services
3 between the new price caps and the applicable price floors. Nonrecurring charges
4 for these services would be capped at their current levels.⁴⁸

5
6 The Plan would also cap the rates for extended area service (“EAS”) and switched
7 access service at current rates. Qwest would be allowed to decrease or increase
8 the rates for all other existing and new regulated retail services pursuant to market
9 forces, subject only to a price floor which I describe later in my testimony.

10
11 In addition, Qwest would continue to be subject to specific, measurable customer
12 service standards under the Plan. Further, Qwest would commit not to seek an
13 exemption under OAR 860-023-0055(16)(d) from the Commission’s service
14 quality reporting requirements during the first five years of the Plan.⁴⁹

15
16 Qwest’s performance under the Plan would also be comprehensively reviewed by
17 the Commission every five years for consistency with the objectives of the Plan,
18 and to evaluate whether any modifications to the Plan would be appropriate in
19 view of market developments. The Commission would continue to have the same

exchange usage, and private branch exchange (“PBX”) service. The prices for these services will continue to be established by the Commission pursuant to ORS 759.425(2)(a). Since basic residential services are not subject to price floors per ORS 759.255(4), this exclusion applies only to the business services listed above.

⁴⁸ These caps would remain in effect unless and until the Commission determines they should be changed or lifted.

⁴⁹ The Commission recently granted exemptions from the service quality reporting requirements to a number of small telecommunications utilities and to Integra Telecom of Oregon, Inc. See Order Nos. 07-422 and 07-425, respectively.

1 authority it has today to monitor Qwest's customer service and to enforce the
2 Commission's retail customer service standards and other legal requirements.

3
4 Furthermore, after providing notice and an opportunity for hearing, if the
5 Commission were to determine that Qwest's Plan was not operating in a manner
6 consistent with the public interest as specified in ORS 759.255(2) (which directs
7 the Commission to consider whether telecommunications prices are just and
8 reasonable, whether high quality telecommunication service quality is ensured,
9 whether new services are made available, whether the Plan maintains the
10 appropriate balance between the need for regulation and competition and whether
11 the Plan simplifies regulation), it could suspend Qwest's pricing flexibility.

12
13 Qwest recommends that, in the unlikely event the Commission were to determine
14 that it was necessary to generally suspend Qwest's pricing flexibility, the rates
15 currently in effect at the time of that determination should become the price caps.
16 In addition, the Commission would have the continuing authority at any time to
17 consider legitimate claims⁵⁰ that market forces are not sufficient to assure just and
18 reasonable rates for specific non-price capped services without additional
19 regulation, and to reimpose price caps on specific Qwest's retail services subject
20 to this Plan if it were to make such a determination after an appropriate
21 investigation.

22

⁵⁰ Qwest recommends that the Commission rely primarily upon its complaint and review process that currently exists in Oregon in determining whether a complaint is "legitimate" and thus warrants further investigation.

1 **Q. DOES QWEST PROPOSE A COMMITMENT TO ADDITIONAL**
2 **INVESTMENT IN TELECOM SERVICES IN OREGON THAT SUPPORTS**
3 **THE PUBLIC INTEREST?**

4 A. Yes. Qwest would also make a commitment to spend \$2 million for additional
5 DSL broadband deployment and/or inter-office route diversity and deployment of
6 additional telecommunications infrastructure for certain K-12 schools in
7 connection with the State of Oregon's Department of Education's Electronic
8 Business Internet and Technology Solutions ("EBITs") project, matching the
9 Department's investment in this initiative of up to \$1 million. These investments
10 would be made during the first four years of the Plan.

11

12 **Q. BRIEFLY, WHAT ARE THE PRIMARY OBJECTIVES THAT QWEST IS**
13 **ATTEMPTING TO ACHIEVE WITH ITS PROPOSED PLAN?**

14 A. Qwest's proposed Plan is designed to achieve the following objectives:
15 • Ensure that the quality of existing telecommunications services will
16 remain at current high levels;
17 • Maintain the availability of primary line basic service at affordable rates;
18 • Qwest will price other services competitively with services offered by
19 other providers, including those using landline, wireless, cable, and VoIP
20 technologies;
21 • Provide Qwest an opportunity to reduce losses to competition, to
22 potentially "win back" customers previously lost to competition, and to
23 encourage new customers to become customers of Qwest;
24 • Guarantee the total incremental investment of \$2 million for additional
25 DSL broadband deployment and/or inter-office route diversity, and

- 1 deployment of additional telecommunications infrastructure for certain
2 Oregon K-12 schools;
- 3 • Make new and innovative telecommunications services available; and
 - 4 • Simplify and reduce the burden of regulation for both Qwest and the
5 Commission.

6

7

c. Service Quality Assurances

8

9 **Q. PLEASE EXPLAIN HOW THE PROPOSED PLAN WOULD ASSURE**
10 **THE COMMISSION THAT QWEST’S TELECOMMUNICATIONS**
11 **SERVICE QUALITY WOULD BE MAINTAINED AT HIGH LEVELS.**

12 A. Qwest commits to continuing to file its currently-required service quality reports
13 with the Commission in the same format in which such reports are currently
14 provided. These reports would provide the Commission with an excellent means
15 of monitoring Qwest’s service quality and comparing that quality against
16 historical performance. The Commission would also be able to review Qwest’s
17 retail customer service quality at any time during operation of the price Plan. The
18 Commission would first apply the procedures and remedies found in ORS
19 759.450 and OAR 860-023-0055. If, after applying these procedures and
20 remedies, the Commission were to determine after notice and hearing that Qwest
21 was not substantially complying with the Commission’s retail service standards,
22 then the Commission would have the authority to suspend Qwest’s authority
23 under the Plan to increase retail prices until such time as Qwest was substantially
24 complying with such service quality standards (in essence, this means that the
25 Commission could opt to conditionally reestablish the “price cap” form of
26 regulation under which Qwest currently operates). If the Commission were to

1 make such a determination, it would enter into discussions with Qwest to
2 establish an agreement, including a timeline and a process, under which Qwest
3 would achieve substantial compliance with the standards. Finally, since Qwest's
4 retail services are generally subject to extensive and vigorous competition, as
5 described earlier in my testimony, Qwest has a clear market incentive to maintain
6 excellent service quality as a means of differentiating its services from those of its
7 competitors.

8

9

d. Pricing Principles and Commitments

10

11 **Q. PLEASE EXPLAIN WHAT IS MEANT BY THE TERM “AFFORDABLE**
12 **SERVICE” AS IT RELATES TO RETAIL TELEPHONE SERVICE IN**
13 **QWEST’S PROPOSED PLAN.**

14 **A.** As discussed earlier in my testimony, Qwest proposes specific price limitations on
15 primary basic residential and business retail access line monthly rates (e.g., the
16 first access line at a customer location) such that those recurring prices may not be
17 increased by more than \$2.00.⁵¹ Since the Commission, in Docket UT 125,
18 determined that Qwest's residential and business local exchange rates are just and
19 reasonable, Qwest believes that a \$2.00 ceiling on potential prices increases for
20 these services means these services would remain “affordable.” This is especially
21 true since the current \$12.80 1FR access line recurring price in Rate Group 1
22 (which contains the great preponderance of Qwest's residential and business
23 access lines) is even lower than the \$13.60 price in effect in 1984 – almost 25

⁵¹ Qwest would have the opportunity to petition the Commission at any time for removal of the price caps. In this event, Qwest would bear the burden of demonstrating that sufficient competition exists to warrant removal of the caps, as described in Section V(B)(2) of the proposed Plan.

1 years ago – and clearly lags well behind a logical “CPI-adjusted” rate when
2 considering upward trends in wages and inflation over that period of time.

3

4 **Q. DOES QWEST’S PROPOSED \$2.00 LIMITATION ON POTENTIAL**
5 **RATE INCREASES FOR PRIMARY RESIDENTIAL AND BUSINESS**
6 **LINES MEAN THAT QWEST WOULD IMPLEMENT A \$2.00 INCREASE**
7 **ON THESE SERVICES ON THE EFFECTIVE DATE OF QWEST’S**
8 **PROPOSED PLAN?**

9 A. No. The limitation simply means that Qwest would have the flexibility to adjust
10 prices moderately upward or downward, subject to applicable ceilings and floors,
11 dependent upon market conditions. Establishment of a \$2.00 price increase limit
12 does not mean that Qwest intends to move prices immediately to the ceiling.

13

14 **Q. WHAT “PRICE FLOORS” WOULD GOVERN THE LOWER BOUNDS**
15 **OF QWEST’S RETAIL PRICES COVERED BY ITS PROPOSED PLAN?**

16 A. The calculation of “price floors” for services governed by Qwest’s proposed Plan
17 would follow the mechanism of ORS 759.255(4), which states:

18

19 A rate for any service in the plan authorized under subsection (1)
20 of this section may not be lower than the total service long run
21 incremental cost [TSLRIC], for nonessential functions, of
22 providing the service and the charges of essential functions used in
23 providing the service. However, the commission may allow a
24 telecommunications utility to establish rates for residential local
25 exchange service at any level necessary to achieve the
26 commission’s universal service objectives.⁵²

⁵² In wire centers that have been classified as “non-impaired” under the FCC’s Triennial Review Remand Order (“TRRO”) guidelines, certain rate elements, such as UNE loops, might no longer be considered to represent “essential” functions. In those instances, consistent with the requirements of ORS 759.255(4), TSLRIC cost would be used for those nonessential rate elements in calculating the price floor.

1
2 However, certain basic business services in Rate Group 3 will not be included in
3 the Plan since inclusion of these services would mean that the retail prices for
4 these services would need to be adjusted significantly upward to exceed the
5 statutory price floors in Rate Group 3. These services are: business single party
6 flat rate local exchange service, business single party measured local exchange
7 service, including local exchange usage, and private branch exchange (“PBX”)
8 service. The prices for these services would continue to be established by the
9 Commission pursuant to ORS 759.425(2)(a).

10 Exclusion of these particular services from the Plan would remove the possibility
11 of unintended and significant rate increases for customers subscribing to these
12 Qwest local exchange services in the most rural areas of Oregon (which are
13 typically included in Rate Group 3).

14

15 **Q. CAN YOU PROVIDE COMPARISONS OF PRIMARY RESIDENTIAL**
16 **AND BUSINESS ACCESS LINE PRICING OF QWEST’S PRICES IN**
17 **OREGON VERSUS OTHER ILECs OPERATING IN THE STATE?**

18 A. Yes. Such a comparison clearly shows that Qwest’s residential and business
19 primary line prices are reasonable, and in most instances, even lower than
20 comparable prices of other Oregon ILECs. For example, Qwest’s residential flat
21 access line rate, including the flat-rated EAS increment, in Portland is \$15.00. On
22 the other hand, Verizon’s comparable residential access line rate is \$17.62 in the
23 Portland EAS region, Century’s rate is \$22.48, Embarq’s rate is \$21.48 and

1 Canby's rate is \$24.08. In Bend, a smaller community, Qwest's residential flat
2 access line rate with EAS is \$14.08, while Century's rate is \$18.98.

3

4 Regarding primary local exchange business rates, the facts are similar. For
5 example, Qwest's current primary business line rate, with EAS, in Portland is
6 \$29.27. Meanwhile, Verizon's comparable rate is \$24.28, Century's rate is
7 \$35.31, Embarq's rate is \$38.85 and Canby's rate is \$35.12. In Bend, Qwest's
8 flat business line rate with EAS is \$27.95, while Century's rate is \$30.06.
9 Clearly, Qwest's primary line residential and business rates are very reasonable in
10 relation to comparable prices of other ILECs serving Oregon.

11

12 **Q. SINCE OTHER QWEST LOCAL EXCHANGE SERVICES, SUCH AS**
13 **NON-PRIMARY RESIDENTIAL AND BUSINESS LINES, PBX TRUNKS,**
14 **CALLING FEATURES, ETC., ARE NOT SUBJECT TO A PRICE**
15 **CEILING IN QWEST'S PROPOSED PLAN, HOW CAN THE**
16 **COMMISSION BE ASSURED THAT QWEST WOULD NOT**
17 **UNREASONABLY INCREASE SUCH PRICES IN SMALL, RURAL**
18 **EXCHANGES WHERE LESS TELECOMMUNICATIONS**
19 **COMPETITION MAY EXIST AND DECREASE PRICES IN URBAN**
20 **AREAS WHERE COMPETITION MAY BE MORE PREVALENT?**

21 **A.** Qwest will commit that it would not geographically deaverage retail service
22 prices covered by its proposed Plan any further than they are already deaveraged
23 on the effective date of the Plan. For instance, Qwest's PBX trunk pricing
24 structure follows the same three rate group structure as its basic exchange
25 residential and business rates. Qwest would not, for example, attempt under the
26 Plan to establish a fourth rate group for PBX trunk prices in its smallest Oregon

1 exchanges to further differentiate prices in those exchanges from those in its
2 existing rate groups. Similarly, services that are currently priced at a statewide
3 average rate, such as calling features, would remain averaged under the Plan.
4 This would mean that competitive pressures in certain areas of the state would
5 exert market discipline on Qwest's prices throughout its service territory in
6 Oregon, whether or not such competition is uniformly present across the state.

7

8 **Q. SHOULD QWEST BE REQUIRED TO MAKE A SHOWING IN A**
9 **GENERAL RATE CASE THAT ITS RETAIL SERVICE PRICES ARE**
10 **APPROPRIATE PRIOR TO THE EFFECTIVE DATE OF ITS PROPOSED**
11 **PRICE PLAN?**

12 A. No. There is no reason for the Commission to require Qwest to file a traditional,
13 general rate case *before* starting to operate under its Plan, for several reasons.
14 First, as noted above, the rates charged under a price plan approved pursuant to
15 ORS 759.255 are to be "without regard to the return on investment of the utility."
16 ORS 759.255(1). Therefore, it would be inconsistent with the statute for the
17 Commission to require Qwest to undergo an earnings-based rate case before
18 implementing its proposed Plan. Second, if the Commission approves Qwest's
19 proposed Plan, Qwest would be allowed to adjust its rates for many services,
20 subject to the price-constraining pressures of the competitive market. If Qwest
21 has that pricing flexibility, there is no reason to require the expense and burden of
22 a general rate case to establish initial rates.

23

24 Finally, since Qwest's prices for services subject to its proposed Plan would
25 initially be those prices that were fully vetted and approved by the Commission in
26 Docket UT 125, and any new services (which are not required to undergo a

1 formal review and approval process) introduced since the conclusion of that
2 docket have not been subject to any formal price complaints and/or Commission
3 actions regarding pricing to date, there is no need to investigate them further prior
4 to implementation of Qwest's proposed Plan. If a price were to be changed
5 *subsequent* to the effective date of the Plan, the Commission would have review
6 and remedial mechanisms available to it if it were then to determine that a
7 particular price was not appropriate, as discussed in my following testimony.

8

9 **Q. SINCE QWEST IS NOW CLEARLY SUBJECT TO DYNAMIC**
10 **TELECOMMUNICATIONS COMPETITION, WHY DOES QWEST SEEK**
11 **FLEXIBILITY TO INCREASE, AS WELL AS DECREASE, PRICES IN**
12 **SUCH A COMPETITIVE MARKET?**

13 A. Subject to the limitations described earlier in my testimony, such as clear
14 restrictions on specific local exchange service pricing, Qwest is seeking flexibility
15 similar to that enjoyed by its competitors (most of which are either lightly
16 regulated or not regulated at all) to adjust prices to levels it believes would best
17 balance the needs of its customers and its shareholders. None of Qwest's many
18 competitors have "across the board" restrictions on retail service pricing, and such
19 continued restrictions on Qwest would continue to deny Qwest the opportunity to
20 adjust prices as market conditions dictate, as Qwest seeks to differentiate its
21 services from those of its competitors.

22

23 **Q. IN COMPETITIVE MARKETS, DO PRICES ALWAYS TREND**
24 **DOWNWARD?**

1 A. No. In fact, prices often fluctuate upward and downward in fully competitive
2 markets, and ultimately prices find the proper price equilibrium as customers
3 “vote with their wallets.”

4

5 **Q. CAN YOU PROVIDE AN EXAMPLE OF A WELL-KNOWN**
6 **COMPETITIVE INDUSTRY THAT COMMONLY EXPERIENCES**
7 **PRICE FLUCTUATIONS?**

8 A. Yes. The airline industry is a good example of a highly-competitive, lightly
9 regulated industry that sees frequent pricing fluctuations, both upward and
10 downward. Airlines seek to differentiate themselves from their competitors by
11 various means, including levels of service, on-time departure success, premium
12 air mileage programs, strong brand loyalty, etc. In this industry, Airline A may
13 elect to adjust prices upward to reflect the strong value position it believes it
14 holds. Airline B, on the other hand, may then elect to promote a price decrease on
15 the same air routes in an attempt to win market share from Airline A. Both
16 airlines would then assess their respective pricing strategies based upon how the
17 market responds and thus adjust prices accordingly.⁵³ In this instance, market
18 forces--rather than artificial pricing constraints--are allowed to work to determine
19 appropriate prices levels. This example is very common in competitive, lightly-
20 regulated industries.

21

⁵³ Data from the U.S. Bureau of Transportation regarding historical Air Travel Price Indices (“ATPI”) illustrates this point. The average price of U.S.-originated air travel declined 2.89 percent between the third quarter of 2006 and the fourth quarter of 2006, but increased by 2.86 percent from the first quarter of 2007 to the second quarter of 2007. Upward and downward pricing fluctuations such as these are seen in the ATPI trends back to 1995 as shown in the Bureau of Transportation statistics. *See* http://www.bts.gov/xml/atpi/src/datadisp_table.xml.

1 **Q. DOES QWEST PLAN TO MODIFY ANY PRICES ON THE EFFECTIVE**
2 **DATE OF THE PROPOSED PRICE PLAN?**

3 A. No. In fact, all prices subject to the Qwest's proposed Plan would remain initially
4 at the prices found to be just and reasonable in 2001 by the Commission in
5 Docket UT 125 or the prices that exist for "new" services introduced under
6 Qwest's current form of regulation.

7

8 **Q. WHY IS QWEST PROPOSING THAT THE CURRENT FREE CALL**
9 **ALLOWANCE FOR DIRECTORY ASSISTANCE CALLS BE**
10 **DISCONTINUED?**

11 A. As described earlier in my testimony, Qwest is now faced with many types of
12 competitors, including CLECs, cable service providers, wireless carriers (fixed
13 and mobile) and VoIP providers. None of these competitors are required to
14 provide free directory assistance as a core component of their service offerings.
15 However, free directory information is readily available to customers in Oregon,
16 both via printed directories and on-line resources.

17

18 For example, the number of Oregon customers with on-line broadband internet
19 access has grown at a spectacular rate of more than 1,200 percent from 2000 to
20 2006 as discussed earlier in this testimony, and the very large and ever-expanding
21 pool of customers with internet access can readily obtain directory information—
22 free of charge—from numerous on-line resources such as YellowPages.com and
23 Dex. To the extent customers subscribe to alternative telecom services, such as
24 wireless or VoIP services, directory assistance is available to them through their
25 chosen service providers. Since Oregonians generally have alternatives readily
26 available to Qwest Directory Assistance ("D.A."), many of which are offered free

1 of charge, a continued mandate that Qwest include free D.A. is no longer
2 appropriate in a vigorously competitive market. Rather, mandatory free D.A. is a
3 vestige of the type of regulatory requirements that existed in a different era, when
4 ILECs were virtually the only providers of D.A. services and rate of return
5 regulation was the norm. In fact, in view of these market changes, free D.A. calls
6 are no longer required of Qwest in eleven of Qwest's fourteen in-region states
7 (the free D.A. requirement only exists in Arizona, Montana and Oregon).
8 Qwest's proposed Plan is a balanced package that eases historical regulatory
9 requirements, such as the free D.A. requirement, in view of changes in the
10 competitive telecommunications market and associated expansion in the number
11 of choices available to Oregon customers to meet their communications needs.

12

13 **Q. IF QWEST'S CUSTOMERS WERE TO UTILIZE QWEST DIRECTORY**
14 **ASSISTANCE AFTER THE PROPOSED PRICE PLAN WAS APPROVED,**
15 **WHAT FEES WOULD THEY PAY?**

16 A. Qwest currently is required to offer two free D.A. calls per month to its retail
17 local exchange customers. Beginning with the third call, each D.A. call is
18 currently priced at \$0.50.⁵⁴ If the Commission approves Qwest's proposed Plan,
19 each Qwest D.A. call would be assessed the per-call charge in effect at the time
20 the call is made.

21

22 **e. Notice and Review of Price Changes**

23

24 **Q. WHAT NOTIFICATION PROCESS FOR THE COMMISSION AND**
25 **CUSTOMERS DOES QWEST INTEND TO FOLLOW WHEN**

⁵⁴ P.U.C. Oregon No. 33, Exchange and Network Services, Section 6, Original Sheet 19.

1 **CHANGING PRICES AFTER ITS PROPOSED PLAN IS**
2 **IMPLEMENTED?**

3 A. Under its proposed Plan, Qwest would provide the Commission notice of price
4 changes for price-capped services by making tariff filings at least 30 days prior to
5 the effective date of such price changes. All other regulated services would be
6 price-listed, and Qwest would make price list filings at least one day prior to the
7 effective date of any price change. Qwest would also notify retail customers of
8 any price increases for tariffed or price listed services covered by the Plan at least
9 30 days in advance of the effective date of price increases.⁵⁵

10

11 **Q. AFTER THE PRICE PLAN BECOMES EFFECTIVE, WHAT**
12 **MECHANISMS WOULD BE AVAILABLE TO THE COMMISSION TO**
13 **REVIEW PRICE CHANGES IMPLEMENTED BY QWEST TO**
14 **DETERMINE WHETHER THEY ARE REASONABLE?**

15 A. The Commission would continue to retain authority to investigate any Qwest non-
16 price capped retail rates it believes were not appropriate, and could initiate price
17 investigations at any time it believed there was good cause for such an
18 investigation. However, Qwest does not believe it would be appropriate or a good
19 use of the Commission's resources to initiate formal investigations into Qwest's
20 pricing practices simply because a customer has filed a complaint with the
21 Commission. Qwest recommends the Commission continue to use its existing
22 processes whereby the Commission Staff reviews customer complaints to
23 determine whether further action is required. The Commission would be able to

⁵⁵ Only customers subscribing to services to which price increases might be applied would qualify for such notification. In addition, Qwest suggests that 30 days advance customer notice should not be required for price decreases on tariffed retail services, since it is very unlikely that such changes would elicit customer concern. In this instance, advance notice of at least one day before the effective date of such price decreases should be considered sufficient.

1 investigate, as it can today, a price change the Commission Staff views as not
2 being appropriate, even absent an actual customer complaint. If the Commission
3 were to determine formal action was required, the Commission should follow its
4 ordinary hearing procedures and the party(ies) bringing the complaint should be
5 required to present a case to prove that the service at issue was not subject to
6 competition and that market forces were not sufficient to assure appropriate rates
7 for that specific service without additional regulation, considering all functionally
8 equivalent or substitutable services regardless of the technology they employ. In
9 this instance, Qwest may present its own evidence contesting the position that
10 market forces are not sufficient to constrain the price(s) at issue. In its
11 investigation, the Commission should follow the guidelines outlined in Section
12 B(II) of the proposed Plan in determining whether the service at issue was subject
13 to sufficient competition that artificial pricing constraints were not necessary.
14 The Commission should then deny the complaint if Qwest's rate(s) for the service
15 at issue was within 10 percent of the rate charged by another provider for a
16 functionally-equivalent or substitutable service⁵⁶ that the Commission found was
17 available to a sufficiently large base of customers such that the alternative
18 provider's service was constraining on Qwest's prices.⁵⁷ If the Commission were

⁵⁶ If the Commission did not find that an alternative provider was offering substitutable services at prices within 10 percent of Qwest's price for a particular service, the Commission could still find that Qwest's price was reasonable based on a finding that competitive alternatives exist at a level that represents price-constraining competition to Qwest's services. However, if the Commission were to find that an alternative provider was offering an alternative service at a price within 10 percent of Qwest's price for a particular service, the price complaint should be dismissed and no further investigation should be required.

⁵⁷ To be considered "substitutable or equivalent," the service must be reasonably available to the class of customer(s) bringing the complaint. For instance, if Qwest were to increase its residential Choice Home package prices by \$10 per month, a complaint was filed and investigated, and the Commission found that the only alternative to Qwest's Choice Home package was a service targeted specifically to credit-challenged subscribers, and which was priced significantly higher than Qwest's package, that service would be excluded as a "substitute" and the complaint could be upheld, potentially resulting in a rollback of the rate to the previous rate level.

1 to sustain such a complaint, the Commission could impose a price cap for the
2 specific service, which would be no less than the higher of (a) the rate that was in
3 effect before the most recent price change for that service or (b) the rate charged
4 by any another provider for a functionally-equivalent or substitutable service, plus
5 10 percent. Finally, upon a request by Qwest, to be made no sooner than 12
6 months after a Commission decision sustaining such a complaint, the Commission
7 would review the continued need for a price cap for the service based upon the
8 same factors to be applied in deciding the complaint.

9
10 **f. Assessment of Competitive Factors**

11
12 **Q. IN YOUR PRECEDING RESPONSE, YOU USE THE TERMS**
13 **“FUNCTIONALLY EQUIVALENT OR SUBSTITUTABLE” WHEN**
14 **DISCUSSING COMPETITIVE TELECOMMUNICATIONS SERVICES**
15 **THAT MAY BE CONSIDERED IN EVALUATING WHETHER ANY**
16 **POTENTIAL QWEST PRICE INCREASES ARE REASONABLE.**
17 **PLEASE EXPLAIN YOUR UNDERSTANDING OF THOSE TERMS IN**
18 **THE CONTEXT OF QWEST’S PRICE PLAN.**

19 **A.** A primary premise of Qwest’s proposed Plan is that competitive forces are now
20 sufficient to discipline the pricing of Qwest retail services covered by the Plan,
21 and higher prices for particular Qwest services can only be sustained if Qwest’s
22 customers find greater value in Qwest services than the value in alternative
23 telecommunications services offered by Qwest’s competitors. These forces, as
24 described earlier in my testimony, are not limited to competition represented by
25 wireline CLECs, but now include other forms of competition such as wireless
26 services, VoIP and cable telephony. While none of these forms of competition

1 are precisely identical to Qwest’s retail services, each can be used in lieu of
2 Qwest retail services to satisfy a wide range of Qwest’s customers’
3 telecommunications needs. From that perspective, these services are
4 “substitutable” for Qwest services. It is not necessary that a competitive service
5 be *precisely the same* as a Qwest retail telecommunications service to be
6 considered to be “functionally equivalent” or “substitutable.”

7

8 For example, as I discussed previously, a large and rapidly growing number of
9 customers have found that wireless service is a perfectly satisfactory alternative to
10 traditional landline telephone service and now rely completely on wireless service
11 to serve their telecommunications needs. In this instance, these customers have
12 found “functional equivalence” between landline and wireless service from the
13 perspective that both provide the means to make and receive voice telephone
14 calls, both offer attractive calling features such as voice messaging and call
15 waiting, both provide access to emergency services, and customers may retain a
16 preexisting telephone number when switching from landline service to wireless
17 service, etc. Clearly, these forms of telephone service are not identical, but they
18 offer “functional equivalence.”

19

20 **Q. MUST A COMPETITIVE SERVICE ALTERNATIVE BE CONSIDERED**
21 **TO BE “SUBSTITUTABLE” OR “FUNCTIONALLY EQUIVALENT” BY**
22 **EVERY QWEST CUSTOMER TO WHOM THE COMPETITIVE**
23 **SERVICE IS AVAILABLE FOR THAT SERVICE TO BE CONSIDERED**
24 **COMPARABLE TO A QWEST SERVICE?**

25 A. No. Rather, if it is clear that a sufficient number of Qwest customers can
26 realistically use the competitive service, regardless of the technology underlying

1 the service, as a substitute for a particular Qwest service that the competitive
2 service represents price-constraining competition, the competitive service should
3 be viewed as a viable alternative in a market examination regarding the
4 reasonableness of Qwest's pricing. Since Qwest has committed, as discussed
5 earlier in my testimony, that it would not seek to further deaverage retail prices
6 covered by the proposed Plan beyond the level of deaveraging that already exists
7 on the effective date of the Plan, it would not be necessary that every Qwest
8 customer for a particular retail service have the same competitive alternatives
9 available. Rather, to the extent that a sufficient number of Qwest customers have
10 a viable service alternative available to the particular Qwest service, the existence
11 of that alternative is constraining on Qwest's prices for that service throughout
12 Qwest's service footprint in Oregon. In other words, Qwest's commitment means
13 that customers in areas with limited competitive choices would benefit from the
14 price-constraining effects of competition in other areas within Qwest's service
15 territory that enjoy numerous competitive choices.

16
17 **g. Request for Waivers of Certain Statutes and Rules**

18
19 **Q. IS QWEST REQUESTING IN ITS PROPOSED PLAN THAT CERTAIN**
20 **STATUTORY REQUIREMENTS BE WAIVED?**

21 A. Yes. Under ORS 759.255(5), the Commission may, if it approves a plan under
22 ORS 759.255(1), waive, in whole or in part, a telecommunications utility's
23 compliance with the following statutes:

24 ORS 759.120 (accounting requirements);

25 ORS 759.125 (accounts and records);

26 ORS 759.130 (accounts, balance sheets and audits);

1 ORS 759.135 (depreciation accounts);
2 ORS 759.180 to ORS 759.200 (hearing on reasonableness of rates,
3 promotions, suspension of rates, notice of schedule changes, price listing,
4 amortizations, and filed rates), with the sole exception of ORS 759.182;
5 ORS 759.215(2) (public access to rate schedules 30 days prior to price
6 changes);
7 ORS 759.220 (joint rates and classifications);
8 ORS 759.285 (charging rates based on cost of property not presently
9 providing service);
10 ORS 759.300 to ORS 759.360 (issuance of securities and use of
11 proceeds); and
12 ORS 759.375 to ORS 759.393 (transactions of utilities).

13 Qwest proposes that the Commission waive, either in full or in part as presented
14 in the Plan and discussed in my following testimony, Qwest's compliance with
15 each of these statutes and their associated rules with the two exceptions:
16 1) ORS 759.182, pursuant to which Qwest may offer service promotions for
17 primary line basic service; and 2) and ORS 759.215(1), pursuant to which Qwest
18 shall make its rate schedules available to the public. Waiver of these
19 requirements would be a logical extension of the manner in which Qwest has
20 operated since 2000 under ORS 759.405 to 759.410, would permit a level of
21 regulatory oversight that is consistent with non-earnings based regulation, and
22 would move more closely toward the Commission's current level of regulation of
23 CLECs in the state.⁵⁸

⁵⁸ Many of Qwest's intermodal service competitors, such as cable, wireless and VoIP service providers, are not regulated at all, and Qwest's proposed Plan would represent only a step in enabling Qwest to compete on par with all of its competitors.

1 Qwest also proposes that certain Oregon Administrative Rules (“OARs”) be
2 waived, in whole or in part, that are inconsistent with price plan regulation, as
3 discussed in my following testimony.⁵⁹

4

5 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE STATUTES**
6 **IDENTIFIED IN SECTION IV.(A) OF QWEST’S PROPOSED PLAN**
7 **FROM WHICH QWEST IS SEEKING WAIVER, AND EXPLAIN THE**
8 **RATIONALE FOR WAIVER OF THE PARTICULAR STATUTES.**

9 A. In regard to the statutes enumerated in my previous response, Qwest is requesting
10 waiver in whole or in part for three primary reasons:

11

12 First, in several instances, Qwest is currently operating, per prior Commission
13 orders or agreements, in a manner similar to what it seeks in such waivers. Thus,
14 in these instances, Qwest’s proposed Plan would do nothing more than to
15 continue operating under pre-existing Commission orders or agreements. For
16 example, in Commission Order No. 06-514, issued on September 11, 2006 in
17 Docket UM 1274, Ordering Clause (5) states: “Qwest Corporation is permitted to
18 utilize depreciation and salvage rates that it utilizes now, and will utilize in the
19 future, for the Monthly Reporting basis of accounting with updates filed with the
20 Commission.” Qwest is complying with the requirements of the Order under its
21 current form of regulation, and Qwest would continue to comply with the
22 requirements of this Order after the implementation date of its Plan. Thus, the
23 partial waiver that Qwest has requested simply means that the current compliance
24 regime would remain unchanged. Several full or partial statutory waiver requests

⁵⁹ In certain instances, OARs are relevant specifically to particular statutes. To the extent the Commission agrees that a certain statute should be waived, Qwest believes the associated OAR would be similarly waived.

1 fall into this general category (e.g., Qwest would continue to comply with
2 preexisting Commission orders or agreements, as it does under the current form of
3 regulation), and include the following statutes: ORS 759.120 – ORS 759.125
4 (accounting requirements, accounts and records); ORS 759.130 (accounts,
5 balance sheets and audits), ORS 759.135 (depreciation accounts), ORS 759.385 –
6 ORS 759.390 (contracts with affiliated interests) and ORS 759.393 (utility
7 property and affiliate contracts).

8

9 Second, the proposed Plan would render moot the requirements of certain statutes,
10 since Qwest would not be operating under historical filing practices or rate of
11 return regulation. For instance, ORS 759.180 delineates Commission
12 requirements for investigating the reasonableness of telecommunications prices,
13 timing of such investigations, etc. Qwest's Plan outlines clear guidelines
14 regarding how the Commission should proceed when it believes a particular
15 Qwest retail price is not reasonable, and this statute, which was enacted in an
16 environment of traditional rate of return regulation, would not be necessary since
17 Qwest's Plan would not be subject to rate of return regulation. Several statutes
18 for which Qwest is seeking waiver fall into this category (e.g., they would not be
19 relevant because the proposed Plan addresses the item), including the following
20 statutes: ORS 759.180 (hearing on reasonableness of rates), ORS 759.185
21 (suspension of rates pending hearing), ORS 759.190 (notice of schedule changes),
22 ORS 759.195 (price listing/alternative form of regulation), ORS 759.215(2)
23 (public access to rate schedules 30 days prior to price changes) and ORS 759.220
24 (joint rates and classifications).

25

1 Finally, several statutes relate to how Qwest must operate if it were to be
2 regulated under rate of return regulation in Oregon. For example, ORS 759.200
3 specifies how amortizations of capital investments must be accounted for in
4 telecommunications rates. Since retail service prices under Qwest's proposed
5 Plan are not established under a rate of return regulatory regime, this statute
6 would not be relevant to the manner in which rates are set. Several statutes fall
7 into this same general category, including: ORS 759.200 (amortizations),
8 ORS 759.285 (charging rates based on cost of property not presently providing
9 service), ORS 759.300 through ORS 759.360 (issuance of securities),
10 ORS 759.375 (approvals of sale or mortgage of property) and ORS 759.380
11 (purchase of stock or property of another utility).

12
13 Each of the statutes for which Qwest is seeking partial or complete waiver, and
14 which are listed above, are summarized in Exhibit Qwest/4, including a brief
15 description of the statute and the reason that it should be waived (in whole or in
16 part) under Qwest's proposed Plan.

17
18 **Q. PLEASE PROVIDE A BRIEF EXPLANATION OF THE REASONS IT**
19 **WOULD BE APPROPRIATE FOR THE COMMISSION TO WAIVE, IN**
20 **WHOLE OR IN PART, THE RULES IDENTIFIED IN SECTIONS IV.(B)**
21 **OF QWEST'S PROPOSED PLAN.**

22 A. As discussed in my previous response regarding waiver of certain statutes, certain
23 Oregon Administrative Rules ("OARs") are inconsistent (in whole or in part) with
24 regulation of Qwest's services under a price plan such as the one in Qwest's
25 proposed Plan. These OARs are summarized below:

26

- 1 OAR 860-027-0005 (annual report concerning budget expenditures);
- 2 OAR 860-027-0015 (annual report on new telecom construction);
- 3 OAR 860-027-0050 (application of Uniform System of Accounts);
- 4 OAR 860-027-0052 (cost allocation);
- 5 OAR 860-027-0070 (annual submission of Form O Annual Report);
- 6 OAR 860-022-0042 (taxes, fees and other assessments);
- 7 OAR 860-032-0190 (definition of basic telephone service).

8

9 As an initial matter, OAR 860-027-0005 (annual report concerning the Budget of
10 Expenditures) is no longer relevant since the Oregon Legislature eliminated this
11 requirement in 2005. In addition, OAR 860-022-0042 (taxes, fees and other
12 assessments) places a limitation on Qwest regarding rate setting that is a vestige
13 of rate of return regulation and is a limitation none of Qwest's competitors faces.
14 In a competitive telecommunications market, this rule-based limitation on Qwest
15 is no longer appropriate and should now be waived.

16

17 Several other rules fall into the general category of continuing to operate in a
18 "business as usual" manner with partial waivers of certain rules, including OAR
19 860-027-0015 (annual report on new telecom construction), OAR 860-027-0050
20 (application of Uniform System of Accounts), OAR 860-027-0052 (cost
21 allocation), and OAR 860-027-0070 (annual submission of Form O Annual
22 Report).

23

24 Finally, Qwest seeks a partial waiver of OAR 860-032-0190, which defines "basic
25 telephone service," so that the Commission will establish the rates for only certain

1 basic business services in Rate Group 3, which are retail services specifically not
2 included in the Plan. In other words, only business single-party flat-rate local
3 exchange service, business single-party measured local exchange service, private
4 branch exchange (“PBX”) trunk services, and multiline or “complex” business
5 local exchange service provided in Rate Group 3 would be considered “basic
6 telephone service” for purposes of applying ORS 759.425(2)(a), and these
7 specific Rate Group 3 services would continue to be provided as tariffed services
8 as they are now, with pricing under full purview of the Commission. For all other
9 purposes involving application of the rules, including administration and
10 distribution of the Oregon Universal Service Fund (“OUS”), Qwest would still be
11 subject to the definition of “basic telephone service” found in OAR 860-032-
12 0190.

13
14 Each of the rules for which Qwest is seeking partial or complete waiver are shown
15 on Exhibit Qwest/5, including a brief description of each rule and the reason that
16 it should not be applicable to Qwest’s retail services covered by the proposed
17 Plan.

18
19 **h. Public Interest**

20
21 **Q. WHY IS QWEST’S PROPOSED PLAN CONSISTENT WITH THE**
22 **PUBLIC INTEREST?**

1 A. The Oregon Legislature outlined specific criteria the Commission should consider
2 when determining whether a price plan is in the public interest, including whether
3 the plan:

- 4 (a) Ensures prices for telecommunications services that are just and
5 reasonable;
- 6 (b) Ensures high quality of existing telecommunications services and makes
7 new services available;
- 8 (c) Maintains the appropriate balance between the need for regulation and
9 competition; and
- 10 (d) Simplifies regulation.⁶⁰

11

12 Qwest's proposed Plan is clearly consistent with these public interest criteria for
13 several reasons, including:

- 14 • The Plan ensures the continued availability of local exchange services at
15 affordable rates. In addition, Qwest's commitment that it will not further
16 deaverage retail prices for services covered by its proposed Plan means
17 that Qwest's retail customers statewide will enjoy the price-constraining
18 effects of telecommunications competition, even if competitive options
19 may be more limited in certain areas of the state. In addition, as discussed
20 earlier in my testimony, nothing in the Plan precludes the Commission
21 from investigating non-capped retail rates it deems to be unreasonable and
22 from taking the corrective action specified in the Plan.
- 23 • The Plan ensures that the quality of existing telecommunications services
24 will stay at current high levels and customers will thereby continue to
25 enjoy high value in their Qwest services. Qwest has committed to
26 continuation of the service quality performance reports it currently
27 provides to the Commission, and to meet or exceed the service quality

⁶⁰ ORS 759.255(2).

1 criteria the Commission has established. Again, the Plan provides for
2 clear remedial action should Qwest fall short of meeting these standards.

- 3 • The Plan would allow Qwest to flexibly price its services, introduce new
4 services, and respond quickly to its many competitors, including those
5 using landline, wireless, cable, and VOIP technologies, in a competitive
6 fashion. This would enhance innovation and allow market forces to freely
7 work in delivering consumer benefits, and would provide Qwest a fair
8 opportunity to position its services as attractively as possible to encourage
9 its customers to remain with Qwest. Further, Qwest has committed to
10 providing specific information in the fifth year of the Plan, and every five
11 years thereafter, to enable the Commission to determine whether the Plan
12 continues to be in the public interest.

- 13 • Further, Qwest would commit to an investment of \$2 million for
14 additional DSL broadband deployment and/or inter-office route diversity
15 and support of the Oregon Department of Education's Electronic Business
16 Internet and Technology Solutions ("EBITS") program in the K-12 public
17 school system. This commitment has clear public interest benefits from
18 the perspective of making broadband services available to a greater
19 number of Oregonians, and enabling a broader number of Oregon students
20 to enjoy the benefits of modern telecommunications technology in
21 schools.

- 22 • The Plan would also incent Qwest to deploy new and innovative
23 telecommunications services in Oregon, which would support Qwest's
24 goal to be viewed as being responsive to evolving market needs by Oregon
25 telecommunications customers in a market that is highly competitive.

- 1 • Finally, the Plan would simplify the burden of regulation for both Qwest
2 and the Commission, and would allow both entities to focus on other areas
3 that are more critical in serving their constituents. For example, a number
4 of the statutes and rules from which Qwest is seeking full or partial waiver
5 require Qwest to produce information (and the Commission to review and
6 analyze that information) that is either redundant to the proposed Plan or
7 that is not relevant in a regulatory regime which is not based on rate of
8 return regulation.

9
10 **i. Plan Reviews and Assessment**

11
12 **Q. IN SECTION V. OF ITS PROPOSED PLAN, QWEST HAS COMMITTED**
13 **TO PROVIDING A “DETAILED REPORT” BY THE 90TH DAY OF THE**
14 **FIFTH YEAR AFTER THE PLAN IS IMPLEMENTED TO ENABLE THE**
15 **COMMISSION TO DETERMINE WHETHER QWEST HAS**
16 **SATISFACTORILY MET THE OBJECTIVES OUTLINED IN THE PLAN.**
17 **WHAT INFORMATION WOULD THE “DETAILED REPORT”**
18 **CONTAIN?**

19 **A.** First, Qwest would commit to maintain retail service quality at a high level
20 consistent with the Commission’s existing service quality rules. In its five-year
21 report, Qwest would summarize its service quality performance for the five-year
22 period by compiling data submitted in the ongoing service quality reports
23 discussed earlier in my testimony.

1 **Q. DOES QWEST ALSO COMMIT TO PROVIDING INFORMATION**
2 **REGARDING THE NATURE OF COMPETITION IN THE**
3 **TELECOMMUNICATIONS MARKET IN OREGON?**

4 A. Yes. Qwest would provide a summary of current market conditions for Qwest's
5 retail telecommunication service categories covered by the Plan, including a
6 description of functionally-equivalent and substitutable competitive alternatives to
7 Qwest services based on information that is publicly available. In addition, Qwest
8 would commit to providing on an annual basis, as well as a summary in the fifth
9 year of the Plan, a report for each Qwest wire center of the total retail residential
10 and business lines in service as of year end, beginning with year-end 2007
11 (presuming Qwest's proposed Plan is implemented in 2008), to enable the
12 Commission to view Qwest retail access line gains and/or losses at the individual
13 wire center level on a year-over-year basis. This report would enable the
14 Commission to easily view changes in Qwest's retail local exchange access line
15 base, at a granular geographic level, in determining whether the objectives of the
16 Plan are being met. (See section V.A.1 of the amended Price Plan, which is
17 Exhibit A to the Amended Petition filed concurrently with this testimony.)
18

19 **Q. WHAT INFORMATION DOES QWEST PROPOSE TO PROVIDE TO**
20 **ENABLE THE COMMISSION TO DETERMINE WHETHER QWEST**
21 **HAS MET ITS INVESTMENT COMMITMENTS ASSOCIATED WITH**
22 **ITS PROPOSED PLAN?**

23 A. Qwest would provide a detailed summary of the Plan's incremental investment
24 commitment in network infrastructure, as well as its participation in the EBITs
25 program in the state, to enable the Commission to easily determine whether
26 Qwest has satisfied that commitment.

1 **Q. WHEN QWEST INTRODUCES NEW TELECOMMUNICATIONS**
2 **SERVICES AFTER IMPLEMENTATION OF ITS PLAN, WHAT**
3 **INFORMATION DOES QWEST PROPOSE TO PROVIDE TO THE**
4 **COMMISSION TO ENABLE IT TO MONITOR THAT SERVICE AFTER**
5 **INTRODUCTION?**

6 A. Qwest would identify and describe the attributes (pricing, market served,
7 description of the service) of any new services that Qwest introduces during the
8 five-year period after implementation of the Plan.

9

10 **Q. THE FINAL PUBLIC INTEREST ATTRIBUTE YOU IDENTIFIED THAT**
11 **SHOULD BE CONSIDERED BY THE COMMISSION REGARDS**
12 **REDUCTION OF REGULATORY BURDENS. HOW WOULD THE**
13 **COMMISSION KNOW WHETHER RELIEF FROM SUCH BURDENS**
14 **HAS BEEN ACCOMPLISHED?**

15 A. The statute, ORS 759.255(2), outlining the public interest elements that the
16 Commission should consider when it evaluates a telecommunications price plan,
17 specifies that an outcome of such a plan should be simplification of regulation. In
18 its report submitted in the fifth year after implementation of the Plan, Qwest
19 would identify and report any regulatory burdens that have been reduced, both for
20 Qwest and the Commission, as a result of implementation of the proposed Plan.

21

22 **Q. IF, HYPOTHETICALLY, AFTER REVIEWING QWEST'S SUBMISSION**
23 **IN THE FIFTH YEAR OF THE PLAN, THE COMMISSION WERE TO**
24 **DETERMINE THAT QWEST HAD FAILED TO MEET THE**
25 **REQUIREMENTS OF THE PLAN AND THAT QWEST THEREFORE**
26 **SHOULD NOT BE PERMITTED TO CONTINUE TO ENJOY THE**

1 **FLEXIBILITY OUTLINED IN THE PLAN, WHAT RECOURSE WOULD**
2 **BE AVAILABLE TO THE COMMISSION?**

3 A. In this unlikely event, Qwest believes that the Commission would have the
4 authority to reimpose price caps on all services addressed in the Plan. In the
5 unlikely event that this were to occur, Qwest believes that the prices in effect at
6 the time of such Commission determination should be the “capped” prices.⁶¹ At
7 that point, Qwest should then be provided the opportunity to rectify any
8 deficiencies identified by the Commission and to reapply for removal of price
9 caps subject to a Commission finding that the deficiencies had been corrected.

10

11

VIII. CONCLUSION

12

13 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

14 A. In my testimony, I have shown that the level of telecommunications competition
15 in Oregon has grown significantly since 2000, which was when Qwest’s access
16 line base had reached historic highs, and is continuing to rapidly evolve, and that
17 in view of this level of competition, Qwest’s proposed Plan is a reasonable next
18 step in easing regulatory restrictions to reflect the evolving competitive
19 environment. Qwest’s proposed Plan provides Qwest an appropriate level of
20 regulatory flexibility to respond to its competitors, many of which are either
21 lightly regulated or are not regulated at all. In addition, the proposed Plan is

⁶¹ Even in the hypothetical event that the Commission deemed it necessary to reimpose caps on all Qwest retail prices covered by the Plan, the Commission would also have the option to investigate any individual prices it believed might not be justified by market conditions.

1 consistent with the public interest, from a number of perspectives: (1) primary
2 line local exchange services have clear pricing constraints to ensure continued
3 affordable rates, (2) a clear process is outlined for review of non-price capped
4 rates to ensure they are just and reasonable, (3) Qwest commits to the investment
5 of \$2 million in additional broadband telecommunications infrastructure and/or
6 interoffice network redundancy and in the Oregon Department of Education's
7 EBITs program in K-12 schools, (4) the Plan provides a clear and measurable
8 commitment by Qwest to the continued adherence to the Commission's service
9 quality standards, (5) the Plan offers the commitment that Qwest will provide
10 detailed reports to enable the Commission to determine whether the Plan has met
11 its objectives, and (6) the Plan will reduce the regulatory burden on Qwest and the
12 Commission by streamlining ongoing regulatory oversight. The Oregon
13 Legislature envisioned that telecommunications competition would grow and
14 evolve and thus established statutes that provide for relaxed regulation
15 commensurate with the increasing level of competition in the state, and has set in
16 place mechanisms to ease regulation via "price plans" when market conditions
17 have advanced to the point where approval of such regulatory relaxation is
18 justified. As described in my testimony, competitive market forces in Oregon
19 have now evolved to the point at which Qwest's proposed Plan is appropriate, and
20 competition can now take a greater role in moderating Qwest's retail service
21 prices in the state. Accordingly, I recommend that the Commission approve
22 Qwest's proposed amended Plan that Qwest is filing concurrently with this
23 testimony (Exhibit A to Qwest's Amended Petition).

1

2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 **A.** Yes, it does.

EOT Services Quote Prepared For:

Pendleton, OR 97801



- Director of Sales

541-288- (v) 541-288- (f)

For the sake of a true comparison, I am including all applicable taxes and surcharges in this quote. Please see list below of fees EOT does not charge.

Business Centrex Lines	14	\$20.50	\$287.00
FCC Subscriber Line Charge	14	\$8.15	\$114.10
EAS Local Calling	14	\$1.95	\$27.30
Oregon USF 7.12%	1	\$22.38	\$22.38
City Franchise Fee 3%	1	\$8.61	\$8.61
Oregon PUC Fee .25%	1	\$1.07	\$1.07
Federal Universal Service Fund	14	\$0.72	\$10.08
Oregon State 911 Tax	14	\$0.75	\$10.50
Service Assistance Program	14	\$0.08	\$1.12
Federal Service Provider Number	14	\$0.43	\$6.02

Total **\$488.18**

Other Services - A La Carte Pricing:

EOT Outbound Long Distance Domestic:	.05cpm	
EOT up to 3Mb DSL	\$49.95	Prequalification required, price includes modem
EOT full Data T1 w/ Internet	\$229/mo	For future reference
EOT Voice T1 (PRI)	\$495/mo	For future reference

The following fees are typically added to customer invoices from other carriers.

EOT does not charge its customers for any of the following fees.

They can add up to hundreds of dollars for an 15 line customer.

- Long Distance Plan Fee
- Account Fee
- Project Code Service Fee
- Common Carrier Transport fee
- Presubscribed Interexchange Carrier Charge (also referred to as PICC)
- Residential Service Protection Fund Fee
- Utility Users Fee
- Carrier Cost Recovery fee
- FCC TRS Fund

SUMMARY OF STATUTES FOR WHICH FULL OR PARTIAL WAIVERS ARE REQUESTED

<u>Statute</u>	<u>Subject</u>	<u>Key Elements of Statute Waiver</u>	<u>Impact of Waiver</u>	<u>Related Rule Requiring Waiver</u>
759.120 759.125	Allows Commission to regulate form and manner of accounts to be kept by telecommunications utilities	<ul style="list-style-type: none"> • Waives rules or orders requiring accounting records different from MR basis. • Use MR basis for all regulatory reporting. • Utilize MR depreciation. 	Status quo. Statute waived to the extent provided for in OPUC Order 06-514.	OAR 860-027-0050
759.130	Annual Reports	<ul style="list-style-type: none"> • Continue to provide “Report 1990” detail for financial data. • Continue to provide selected Form O schedules (employees, access lines, etc.) • Directors Compensation: Provided via Shareholders Annual Report. • Form I: continue to submit “Report 1990” detail. 	Status quo. Statute waived to the extent agreed to in correspondence dated May 4, 2004 through December 21, 2004 and further modified in Qwest/Staff meeting on June 26, 2006	OAR 860-027-0070 OAR 860-027-0052
759.135	Depreciation accounts; undepreciated investment allowed in rates.	<ul style="list-style-type: none"> • Utilize MR depreciation and salvage rates instead of rates from Order 96-117. 	Status quo. Statute waived to the extent provided for in OPUC Order 06-514.	
759.180	Hearing on reasonableness of rates; procedures; exceptions	<ul style="list-style-type: none"> • Waives standard tariff filing process. 	Filings timeframes and process per Plan	
759.185	Suspension of rates pending hearing; time limitation; revenue collected subject to refund; interim rates	<ul style="list-style-type: none"> • Waives standard tariff filing process. 	Filings timeframes and process per Plan	

SUMMARY OF STATUTES FOR WHICH FULL OR PARTIAL WAIVERS ARE REQUESTED

759.190	Notice of schedule change required	<ul style="list-style-type: none"> • Waives standard tariff filing timeframes. 	Filings timeframes and process per Plan	
759.195	Price listing of services; conditions; maximum rates; essential services; justification by utility of rates for price-listed services (AFOR)	<ul style="list-style-type: none"> • Waives statute as Price Plan is filed under ORS 759.255, not 759.195. 	Not applicable since Qwest is choosing to operate under ORS 759.255	
759.200	Amortizations included in rates; deferral of certain expenses or revenues; limitation on amounts; prohibited uses	<ul style="list-style-type: none"> • Waives rate of return concept not required under Price Plan. 	Rate of Return related	
759.215(2)	30 days notice of filings	<ul style="list-style-type: none"> • Waives standard tariff filing timeframes. 	Filings timeframes and process per Plan	
759.220	Joint rates and classifications; procedure; considerations	<ul style="list-style-type: none"> • Waives rate of return concept not required under Price Plan. 	Rate of Return related	
759.285	Charging rates based on cost of property not presently providing service	<ul style="list-style-type: none"> • Waives rate of return concept not required under Price Plan. 	Status quo. Rate of return concept.	

SUMMARY OF STATUTES FOR WHICH FULL OR PARTIAL WAIVERS ARE REQUESTED

759.300 - 759.360	Regulation of issuance of securities; re-regulation of exempt telecom utilities.	<ul style="list-style-type: none"> • Qwest is exempt from most of these statutes under ORS 759.315(5). • Waives requirement to file debt financing reports, two per financing. 	Eliminate 2 filings per financing.	
759.375	Regulates sale, mortgage or disposal of utility property > \$100,000.	<ul style="list-style-type: none"> • Waives requirement to file for asset sales. 	Eliminate need to file on asset sales. Order 04-404 already addresses gain/loss on sale.	
759.380	Regulates purchase of stock or property of another utility property.	<ul style="list-style-type: none"> • Waives requirement to file for purchase of stock or property of another utility property. 	Eliminate need to file for purchase of assets of other public telecommunications utilities.	
759.385	Regulates filing of certain contracts	<ul style="list-style-type: none"> • Waives requirement to file certain affiliate interest contracts. 	Status quo. Statute waived to the extent provided for in OPUC Order 00-382.	
759.390	Regulates contracts with affiliated interests; use in rate proceedings	<ul style="list-style-type: none"> • Waives requirement to file certain affiliate interest contracts. 	Status quo. Statute waived to the extent provided for in OPUC Order 00-382.	
759.393 (1)	Reports regarding contracts under ORS 759.385 and 759.390	<ul style="list-style-type: none"> • Waives requirement to file certain affiliate interest contracts required by ORS 759.385 and 759.390. 	Status quo. Continue to be filed as a part of Annual Reports only.	OAR 860-027-0100(1)(a)

SUMMARY OF RULES FOR WHICH WAIVERS ARE REQUESTED

<u>Admin Rule *</u>	<u>Subject</u>	<u>Key Elements of Rule Waiver</u>	<u>Impact of Waiver</u>	<u>Associated Statute</u>
OAR 860-027-0005	Budget of Expenditures	<ul style="list-style-type: none"> • Waives requirement to file Budget of Expenditures which is no longer required by statute. 	None. Rule outdated as requirement to file Budget of Expenditures eliminated in 2005 Legislature.	NA – statute repealed in 2005.
OAR 860-027-0015	Construction Budget	<ul style="list-style-type: none"> • Waives requirement to file “minor” projects per agreement with OPUC Staff November 3, 2004. 	Status quo. Continue to provide budget consistent with letter dated October 7, 2004 and November 7, 2004 Qwest/Staff meeting.	ORS 759.10 (statute repealed in 2005).
OAR 860-027-0050	Uniform System of Accounts	<ul style="list-style-type: none"> • Waives rule requiring accounting records different from MR basis. • Use MR basis for all regulatory reporting. • Utilize MR depreciation. 	Status quo consistent with OPUC Order 06-514.	ORS 759.120 and 759.125
OAR 860-027-0052	Cost Allocation	<ul style="list-style-type: none"> • Eliminates requirement of the rule to allocate costs between regulated and non-regulated activities. 	Status quo.	

SUMMARY OF RULES FOR WHICH WAIVERS ARE REQUESTED

OAR 860-027-0070	Annual Reports – Form O	<p>Waiver allows Qwest to continue annual reporting as follows:</p> <ul style="list-style-type: none"> • Financial data provided in “Form 1990” detail report. • Additional schedules provided per existing Staff/Qwest agreements. • Directors’ Compensation is reported in Qwest Annual Shareholder Report. 	Continue to provide consistent with correspondence dated May 4, 2004 through December 21, 2004 and Staff/Qwest meeting on June 26, 2006. This is status quo with current reporting processes.	ORS 759.225 and 759.130
OAR 860-027-0100(1)(a)	Reporting of Affiliate Transactions	<ul style="list-style-type: none"> • Waives June 1 filing date and required data. 	Status quo: File Affiliated Transactions annually on April 1 as a part of Form O.	ORS 759.393(1)
OAR 860-022-0042	Taxes, Fees and Other Assessments	<ul style="list-style-type: none"> • Waiver allows Qwest to show municipal taxes and fees in their entirety as a bill line item. 	Creates consistency with Qwest’s competitors re: treatment of taxes and fees on customer bills.	
OAR 860-032-0190 **	Definition of Basic Telephone Service	<ul style="list-style-type: none"> • Limits rate application of rule to certain services in Rate Group 3 that are not included in the Plan. 	**	

* To the extent an OAR implements a statute the Commission determines should be waived, Qwest assumes the rule associated with that statute will not apply to Qwest, and such rules implementing waived statutes are not included in the table above. For example, OAR 860-027-0040 sets forth the requirements for an application under ORS 759.385 and 759.390. To the extent the Commission

SUMMARY OF RULES FOR WHICH WAIVERS ARE REQUESTED

finds that ORS 759.385 and 759.390 should be waived, it follows that OAR 860-027-0040 would, by definition, have no application to Qwest.

** This rule defines "basic telephone service" for purposes of administering ORS 759.425, among other statutes. Qwest seeks a partial waiver of this rule so that the Commission will establish the rates for only certain basic business services in Rate Group 3 (identified in section III. C. of the Plan), which services are not included in the plan. Pursuant to this partial waiver, only the services listed in OAR 860-032-0190(3)(b), (d), (e), and (f) and provided in Rate Group 3 would be considered "basic telephone service" for purposes of applying ORS 759.425(2)(a). For all other purposes involving application of the rule, including administration and distribution of the universal service

CERTIFICATE OF SERVICE

UM 1354

I hereby certify that on the 11th day of February 2008, I served the foregoing **QWEST CORPORATION'S AMENDED PETITION FOR APPROVAL OF PRICE PLAN PURSUANT TO ORS 759.255** and the **DIRECT TESTIMONY OF DAVID L. TEITZEL** in the above entitled docket on the following persons via U.S. Mail, by mailing a correct copy to them in a sealed envelope, with postage prepaid, addressed to them at their regular office address shown below, and deposited in the U.S. post office at Portland, Oregon.

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DATED this 11th day of February, 2008.

QWEST CORPORATION



By: _____

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