

**OREGON PUBLIC UTILITY COMMISSION
INTEROFFICE CORRESPONDENCE**

DATE: November 27, 2018

TO: File through Bryan Conway and Bruce Hellebuyck *BSC*

FROM: Scott Shearer *SS*

SUBJECT: QWEST CORPORATION: (Docket No. ADV 874/Advice No. C91-2018)
Establishes a Special Contract submitted pursuant to ORS 759.250(5).

BACKGROUND

The same services with the same rates, terms, and conditions as the services in this contract are currently being provided under Qwest Advice No. C39-2014.

Qwest Corporation d/b/a CenturyLink QC (Qwest) proposes approval of a 36-month special contract with a confidential customer for Integrated Services Digital Network Primary Rate Service (ISDN-PRS). The contract went into effect on October 1, 2018, and it was filed on November 13, 2018. The original filing included prices related CenturyLink Volume Pricing Program; however, after review, it was determined that those prices were already approved as a part of the price list and did not need to be a part of the special contract filing. As a result, Qwest filed an amended filing on November 27, 2018, with only the ISDN-PRI contract provisions. Pursuant to ORS 759.250, the Commission has 90 days from the date of filing to terminate the effectiveness of a special contract. For this filing, the end of the 90-day statutory period would be December 30, 2018.

Description of Contract

The contract is a 36-month, discount arrangement with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of \$400.00 per unit, which represents a 36 percent discount off the regularly tariffed rate of \$625.00. The filing states that the company will give the discounted prices to any similarly situated customer requesting it.

Qwest's tariff does not offer discounts that are as large as those proposed in this special contract, and thus, the contract provides the customer unique rates for the contract services. Qwest also considers the contract services to be competitive.¹ If Qwest does not provide the contract services, a number of competitors would be able to provide the services.

¹ Commission Order No. 96-021 gave the company pricing flexibility, pursuant to ORS 759.050, in exchanges that comprise competitive zones.

deemed approved. Staff understands that if a telecommunications utility does not provide sufficient evidence to support the contract under ORS 759.250, staff may recommend that the Commission reject the contract.

Two areas of importance in assessing special contracts were identified in Order No. 92-651 in docket UM 254, a generic docket to consider procedures and guidelines for special contract filings. These are the reasonableness of the contract rates and discrimination. Statutes that address these areas are ORS 759.210, classification of service and rates, and ORS 759.260, unjust discrimination.

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

To determine conformance with ORS 759.260, staff determines if the special contract avoids unjust discrimination and is dependent upon the outcome of the analyses outlined above. The statute does not restrict the Commission from subsequent scrutiny of the reasonableness of special contracts for ratemaking purposes.

The company submitted a financial analysis that shows that the proposed rates cover the company's estimated long-run, incremental cost of service (LRIC) for the contract service(s).

Conclusions

Staff has investigated the filing and finds that it complies with Order No. 92-651 (UM 254) and the memorandum of understanding between staff and the company referenced in the order, the contracted services are subject to competition, the contract price(s) is above the company's cost of service, and the company would offer the discounted contract price(s) to any similarly situated customer requesting it.