1	BEFORE THE PUBLIC UTILITY COMMISSION		
2	OF OREGON		
3	DR	26/UC 600	
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5	THE NORTHWEST PUBLIC COMMUNICATIONS COUNCIL,	QWEST CORPORATION'S RESPONSE TO NPCC'S MOTION FOR LEAVE TO	
6	Complainant,	AMEND COMPLAINT	
7	v.		
8	QWEST CORPORATION,		
9 10	Defendant.		
11	I. IN	TRODUCTION	
12	Qwest Corporation ("Qwest") respectfi	ully submits this response to the motion of The	
13	Northwest Public Communications Council ("	NPCC") for leave to amend its Complaint in this	
14	proceeding (the "Motion"). NPCC's Motion so	eeks permission to make at least two very	
15	significant changes to this case. First, NPCC s	seeks permission to add as complainants in this	

case 13 entirely new parties (curiously, those 13 parties do not move the Commission for permission to join the case as one might reasonably expect). Second, NPCC seeks to add an entirely new claim to this case, seeking refunds for an additional, different service, CustomNet, from that which has been the subject of this case since 2001 when NPCC filed its original

20 Complaint, Public Access Lines ("PAL").

The Commission should deny NPCC's motion because (1) the new claims it seeks to add to this case would change the nature of the current case, (2) Qwest would be prejudiced by the amendment, and (3) the claims lack merit because they are time-barred by the applicable two-year statute of limitations. The claims of the 13 proposed new complainants lack merit because they accrued in 1997; under any view of the facts, they are barred from bringing these claims for the first time in 2009. Under the applicable procedural rules there is no question of "relation"

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1	back" of claims of entirely new parties to a case. Under the cases NPCC cites, that issue arises
2	only if a party seeks to substitute for a plaintiff who timely filed a claim and, even then, only in
3	narrow circumstances. NPCC expressly disclaims any intention to substitute the 13 parties for
4	itself. These new parties are barred from asserting their claims for the first time in 2009.
5	In addition, the Commission should deny leave to add NPCC's (and the 13 proposed new
6	complainants') new claim seeking refunds for CustomNet service for the same reasons, including
7	the fact that it is barred by the two-year statute of limitations. NPCC's argument that this claim
8	did not accrue until 2007 is not only undercut by the undisputed facts; the Ninth Circuit has
9	expressly ruled (in a case brought on behalf of other payphone providers by the same counsel
10	representing NPCC in this case) that this precise claim for refunds of CustomNet charges
11	accrued in 1997 because it is based on an FCC requirement that ILECs file payphone tariffs to be
12	effective by April 15, 1997. Moreover, it is undisputed that Qwest lowered its rate for
13	CustomNet services in 2003 to the same level re-approved by the Commission in 2007. Thus,
14	even if lowering of the rates were essential to accrual of the claim (which it plainly is not under
15	Ninth Circuit law), that occurred in 2003, six years before NPCC seeks to add this claim to this
16	case. The CustomNet claim does not relate back to the date NPCC filed its original Complaint in
17	2001 because it arises out of different facts than the PAL refund claim, and is based on an
18	entirely different legal theory.
19	The Commission should deny NPCC's motion to add 13 new complainants and an
20	entirely new claim to this case at this late date because they would change the nature of the case,
21	Qwest would be prejudiced, and those claims are barred by the statute of limitations. Instead,
22	this case should proceed only on the basis of NPCC's original Complaint.
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QWEST CORPORATION'S RESPONSE TO NPCC'S MOTION FOR LEAVE TO AMEND PAGE 2-**COMPLAINT** 91004-1112/LEGAL15527438.1

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11.	DISCU	JSSION

2	A.	Standard of Review					
3	The Commission's rules of procedure incorporate the Oregon Rules of Civil Procedure						
4	("ORCP"), unless they are expressly modified by the Commission. OAR 860-011-0000(3).						
5	NPCC relies on ORCP 23, which does not appear to apply to the request to add new plaintiffs.						
6	That rule provides, in pertinent part:						
7		A. Amendments. A pleading may be amended by a party once as a matter of course at any time before a responsive pleading is					
8		served or, if the pleading is one to which no responsive pleading is permitted, the party may so amend it at any time within 20 days					
9	after it is served. Otherwise a party may amend the pleading only by leave of court or by written consent of the adverse party; and						
10		leave shall be freely given when justice so requires					
11		C. Relation back of amendments. Whenever the claim or defense asserted in the amended pleading arose out of the conduct,					
12		transaction, or occurrence set forth or attempted to be set forth in the original pleading, the amendment relates back to the date of the					
13		original pleading, the amendment relates back to the date of the original pleading. An amendment changing the party against whom a claim is asserted relates back if the foregoing provision is satisfied and, within the period provided by law for commencing the action against the party to be brought in by amendment, such					
14							
15 16	,	party (1) has received such notice of the institution of the action that the party will not be prejudiced in maintaining any defense on					
17	the merits, and (2) knew or should have known that, but for a mistake concerning the identity of the proper party, the action would have been brought against the party brought in by amendment.						
18	This rule sets forth the basis for "a party" to amend its complaint, including adding new						
19	defendants. It also establishes when an existing party's amended complaint relates back for						
20	statute of limitations purposes, again including when an amended complaint adds a new						
21	defendant. The rule does not, however, apply to the addition of new <i>plaintiffs</i> to a case. Instead,						
22	that situation is covered by ORCP 30:						
23		Misjoinder and nonjoinder of parties. Misjoinder of parties is					
24		not ground for dismissal of an action. Parties may be dropped or added by order of the court on motion of any party or of its own					
25	***************************************	ODG 750 500(A)					
26	allo	ORS 756.500(4), cited by NPCC, simply provides that the Commission may issue an order wing an amended complaint. That section does not preempt application of the ORCP. Perkins Cole LLP					
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1 2	initiative at any stage of the action and on such terms as are just. Any claim against a party may be severed and proceeded with separately.				
3	Even assuming ORCP 23 applies to the instant situation – in which NPCC seeks				
4	permission to add both new parties plaintiff and a new claim - there are well established				
5	standards for courts, and hence the Commission, to consider a motion to amend a complaint.				
6	NPCC would have the Commission believe that there is a "low threshold for amending				
7	complaints with new claims." Motion at 4. That is not the case. Oregon courts have discretion				
8	in considering motions to amend pleadings and they have articulated standards to apply in				
9	exercising that discretion. Discretion, however, is not the same thing as a low threshold. When				
10	a court has discretion in a matter, it may exercise that discretion equally to deny the motion as t				
11	grant it, as long as it does not abuse its discretion				
12	Forsi v. Hildahl, 194 Or. App. 648, 652, 96 P.3d 852 (2004), articulates four factors				
13	courts apply in exercising their discretion whether to allow or deny an amended complaint:				
14	"(1) the proposed amendment's nature and its relationship to the existing pleadings; (2) the				
15	prejudice, if any, to the opposing party; (3) the timing of the proposed amendment; and (4) the				
16	colorable merit of the proposed amendment." Applying these factors in this case strongly				
17	supports the Commission's denying NPCC's motion to amend.				
18	B. The Commission Should Deny the Amendment to Add Thirteen New Complainants.				
19	1. The nature of an amendment adding thirteen new parties drastically changes the nature of the current case.				
20	Applying the first <i>Forsi</i> factor, NPCC's proposed amendment adding 13 new				
21	complainants drastically changes the nature of this case. Instead of defending a claim by one				
22	party, Qwest would be required to defend against claims by 13 additional parties. Not only				
23	would this dramatically expand the scope of the claims against Qwest, such an amendment				
24	would also expand the discovery required from one complainant to fourteen. Discovery in this				

case has the potential to be quite extensive, relating to billing records for 13 companies for a

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period of up to six or more years. Additional discovery may be required as to when each of the complainants was or should have been aware of its potential claims against Qwest, depending upon how the Commission rules with respect to Qwest's statute of limitations arguments.

2. Qwest would be prejudiced by this late amendment adding 13 new complainants.

Considering the second and third *Forsi* factors together, not only would the scope of discovery be greatly expanded by adding 13 new complainants, Qwest would be prejudiced by this late amendment because of the likelihood that meaningful discovery is no longer available from these proposed new parties. In its Motion to Lift Abeyance, filed January 14, 2009, at 8, n. 19, NPCC admitted as much, stating: "The payphone companies have retained their records, but they are in danger of becoming unretreivable. For example, computers needed to process the data have become obsolete or stopped working, software needed to process the data is no longer supported by the vendors, and personnel trained to operate the legacy systems have left or may no longer remember how to operate the old systems."

NPCC's statements hold dim hope that Qwest will be able to obtain meaningful discovery from any of these 13 new complainants at this late date. The situation may have been much different had these complainants timely filed a complaint, closer to the date in 1997 when their claims accrued, or even in 2001 when NPCC filed its complaint. Qwest would be prejudiced by the addition of these new complainants at this late date because of the inability to obtain meaningful and necessary discovery.

On the other hand, NPCC does not even assert that it or the individual complainants would suffer any prejudice if it is not permitted to add these new complainants to the case.

NPCC states that it seeks to add the new complainants in view of Qwest's argument in its 2005 motion for summary judgment that NPCC does not have standing under ORS 756.500(2) to seek an order of reparations in this case. Motion at 1. NPCC characterizes that argument as "meritless" and "spurious," and states that it is "unnecessary" to add its members as individual

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complainants. Motion at 1-2. Qwest does not agree that its argument that NPCC lacks standing to obtain refunds is meritless; however, since NPCC has represented that it is "unnecessary" to add the 13 individual complainants, NPCC cannot realistically argue that the Commission would abuse its discretion in denying NPCC's motion for leave to amend its Complaint.

3. The new complainants' proposed claims have no merit because they are barred by the statute of limitations.

Finally, the claims of the proposed new complainants have no merit because they are barred by the applicable two-year statute of limitations.

a. The refund claims are subject to a two-year statute of limitations.

47 U.S.C. § 415(b) establishes a two-year statute of limitations for claims against carriers for the recovery of damages not based on overcharges.² The proposed complainants' refund claims are against a carrier (Qwest) for damages (refunds), and these complainants, therefore, were required to bring such a claim within two years of the claim's accrual or suffer a time-bar. Since the claim is based solely upon federal requirements and an FCC order, it must be governed by the two-year federal statute of limitations. *AT&T Communications of the Pacific Northwest, Inc. et al. v. Qwest Corporation*, Oregon PUC Docket UM 1232, Order No. 06-230 at 6. *See also AT&T Communications of the Mountains States, Inc. v. Qwest Corporation*, 2007 WL 1342657 (D. Utah 2007); *AT&T Communications of the Midwest v. Qwest Corporation*, 2007 WL 2743491 (D. Neb. 2007).

One of the new complainants' proposed claims is based upon their allegation that Qwest's PAL rates that were effective April 15, 1997 did not comply with the new services test, and thus they paid too much for such services as of that date. As this Commission has ruled, a claim accrues "when a plaintiff knows or has reason to know of the harm or injury that is the basis of the cause of action." Order No. 06-230 at 7. The proposed new complainants, as well as NPCC, knew or had reason to know in 1997 what rates Qwest was charging for its payphone services

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Overcharges are defined as charges in excess of FCC tariffed rates, which is not the basis of NPCC's claim in this case. 47 U.S.C. § 415(g).

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and what pricing requirements applied to those services. Under these circumstances, their claims 1 necessarily accrued as of April 15, 1997. This proposed amended complaint, filed almost 12 2 years after these parties' claims accrued, simply comes too late. 3

Not only did these new complainants fail to file a damages claim for almost 12 years, 4 they also chose not to challenge Qwest's proposed rates at the time they were filed in 1997. 5 Many other payphone service providers ("PSPs") challenged payphone rates that ILECs used to 6 7 comply with the FCC's payphone orders at the time they were filed in the early part of 1997 (the following cases were cited by NPCC in a prior brief to the Commission). For example, in the 8 9 BellSouth South Carolina case, on April 4, 1997, the South Carolina Public Communications Association asserted that BellSouth's proposed rates did not comply with the payphone orders, 10 and requested that the commission stay the effectiveness of the rates and investigate them.³ The 11 Tennessee Payphone Owners Association intervened in BellSouth's Tennessee proceeding on 12 March 14, 1997. In Kentucky, on April 15, 1997, a PSP and the Kentucky Payphone 13 Association filed a complaint alleging that the LECs' payphone rates did not meet the new 14 services test.⁵ In Pennsylvania, the payphone association filed a complaint challenging the 15 ILECs' payphone rates on March 11, 1997.⁶ 16

Closer to home, in Washington, MCI and AT&T challenged Qwest's compliance with the payphone orders by filing a complaint on April 16, 1997, the day after Qwest's rates became effective. MCI Telecommunications Corp. v. US WEST Communications, Inc., Docket No. UT-970658, 1999 WL 359773 (WUTC, 5th Supp. Order, Mar. 23, 1999). In fact, MCI was represented in that proceeding by the same attorneys who represent NPCC and the proposed new complainants in this case, and who represented NPCC in Oregon at that time in Qwest's thenpending rate case. In contrast to all of these cases, the proposed new complainants did not

³ Order No. 1999-284, Docket No. 97-124-C (SC PSC 1999).

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⁴ Interim Order, 2001 Tenn PUC LEXIS 74, Bell South v. TRA, 98 S.W.2d 666, 667 (Tenn. Ct. 25 App. 2002).

⁵ Administrative Case No. 361 at 3 (KY PSC 2003). ⁶ Docket No. R-0097386700001 (PA PUC).

challenge Qwest's payphone rates when they were proposed in January 1997 or after they were
approved in April 1997. By waiting almost 12 years to seek a refund, these new complainants
simply missed their chance to assert this claim.

NPCC seeks to excuse its and the new complainants' failure to file a timely claim, arguing that they chose not to challenge Qwest's payphone tariff filings because they intended to challenge the PAL rates in Qwest's then-pending rate case, UT 125. Such an argument, of course, provides no excuse for missing the statute of limitations for a damages claim. Moreover, the new complainants could have challenged the payphone rates outside of the rate case, as the FCC, in the payphone orders, repeatedly invited parties to do if they believed that LECs were not in compliance with those orders. Qwest filed the payphone rates as separate tariffs even though a rate case was pending. In fact, NPCC has argued that PAL rates are governed by different standards under federal law than typically apply in retail rate cases under state law. *Northwest Public Communications Council v. PUC*, 196 Or App 94, 97, 100 P3d 776 (2004) ("[NPCC] argues that federal law requires the PUC to use a different rate-setting method for payphone services instead of the traditional method that the PUC used.") Thus, the new complainants could have challenged Qwest's proposed PAL rates in April 1997, as did many other PSPs around the country. Their failure to do so for almost 12 years causes the proposed amended complaint to be time-barred and, therefore, of no merit.

b. The new complainants' claims do not relate back to when NPCC filed its complaint and, even if they did relate back, would still be untimely.

NPCC argues that the claims of the 13 new complainants should relate back to the date NPCC filed its complaint in 2001, pursuant to ORCP 23C. The *only* authorities NPCC cites for this position, however, do not support its argument. NPCC cites only cases involving the *substitution* of parties, not the addition of new parties to a case. Motion at 7-8. At the same time, NPCC emphatically disclaims its intention to substitute the new complainants for itself. *Id.* at 7.

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Substitution of parties is permitted in very limited circumstances involving death or
disability of a party, and is governed by ORCP 34. The cases NPCC cites permitted substitution
in other cases where the plaintiff was incorrectly identified in the complaint, as long as there is
no material change in the substance of the complaint (Oak Grove Parr, Inc. v. McCutcheon
Construction Co., 275 Or. 381, 550 P.2d 1382 (1976) (pre-dating the ORCP)) and no increase in
the amount of damages sought (Sizemore v. Swift, 79 Or. App. 352, 719 P.2d 500 (1986)). Even
if the "substitution" line of cases applied in this context of adding, not substituting, new parties,
the proposed addition of 13 new complainants would materially change the substance of the
complaint and significantly increase the amount of damages sought, so leave should be denied.

Finally, even if the new complainants' claims related back to when NPCC filed its original complaint on May 11, 2001, they would still be untimely. Being subject to a two-year statute of limitations, the new complainants should have brought these claims by April 15, 1999, two years after they claim to have been harmed by Qwest's failure to file PAL rates in compliance with the federal requirements.

C. The Commission Should Deny the Amendment to Add a Claim for Refund of CustomNet Charges.

The second major change NPCC proposes to make in this case is to add a new claim for refunds of CustomNet charges. While CustomNet is subject to the same rate-setting standards as PAL service, it is subject to significantly different procedural requirements and the nature of this claim is significantly different from the existing PAL refund claim. Whereas the FCC required ILECs to file PAL rates with state commissions, it required ILECs to file CustomNet rates with the FCC itself. *See* proposed Amended Complaint, ¶ 10. In addition, the only rates potentially subject to refund under the FCC's Waiver Order – the basis of NPCC's current claim – are PAL rates; NPCC's claim that Qwest must also refund a portion of CustomNet charges is not based on the Waiver Order. Rather, it appears to be based directly on Section 276 of the

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Telecommunications Act. *See* proposed Amended Complaint, ¶¶ 28-30. Applying the four *Forsi* factors, the Commission should deny NPCC's motion for leave to add this new claim.

1. The proposed amendment adding an entirely new claim changes the nature of the current case.

Applying the first *Forsi* factor to NPCC's proposed addition of a claim for refund of CustomNet charges, it is plain that adding this claim to the case would substantially change the nature of the case. The legal basis for this claim is completely different from the claim for refund of PAL charges. This new claim would also add entirely new elements of damages which have not been at issue for the almost eight years that this case has been pending. The same discovery issues discussed above with respect to the addition of 13 new complainants apply with equal if not greater force to the proposed addition of this new claim.

One of the facts that Oregon courts have consistently considered in exercising their discretion to decide motions to amend a complaint is whether the proposed amendment would add a new claim to the case. In *Forsi*, in applying this first factor, the court noted that "plaintiff's amendment does not interject a new claim in the litigation." 194 Or. App. at 652. *See also Cutsforth v. Kinzua Corporation*, 267 Or. 426, 433, 517 P.2d 640 (1973) ("Generally, we say that the court has ample discretionary authority to allow amendments . . . provided the proffered amendment does not substantially change the cause of action or interject an entire new element of damages."). There can be no dispute that the addition of CustomNet to this case would both substantially change the claim and interject a new element of damages.

2. Qwest would be prejudiced by this late amendment adding 13 new complainants.

Applying the second and third *Forsi* factors together, Qwest would be prejudiced by the addition of CustomNet at this late stage of the case. Litigating a CustomNet refund claim would require discovery on issues that have not previously been required. Not only would it expand the case significantly, the specter of unavailable information, as discussed above, would prejudice Qwest's ability to defend itself from a new claim brought at this late date.

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3. The CustomNet claim has no merit because it is barred by the statute of limitations.

Finally, the Commission should deny NPCC's motion to add a CustomNet claim to this case because it is barred by the two-year statute of limitations. NPCC asserts that a CustomNet claim did not accrue until 2007, when the Commission approved Qwest's CustomNet rates as in compliance with the applicable federal requirements. However, NPCC's counsel made that same argument to the Ninth Circuit, and lost.

Davel Communications, Inc. v. Qwest Corporation, 460 F.3d 1075, 1089 (9th Cir. 2006), applied the two-year statute of limitations to a claim for refund of fraud protection rates (CustomNet is the branded name of Qwest's fraud protection service). As NPCC does here, the plaintiffs in Davel argued that their claim did not accrue until Qwest filed new services test-compliant rates in 2003. The court rejected that argument, holding that the plaintiffs' claim accrued in 1997, when Qwest was required to file compliant rates. 460 F.3d at 1092. According to the Ninth Circuit, as soon as Qwest failed to file fraud protection rates with the FCC, it could be claimed that Qwest was in non-compliance with the Payphone Orders, and the plaintiffs were on inquiry notice that they might be paying excessive rates for fraud protection. Their cause of action, therefore, accrued at that time. The fact that, until Qwest filed its new fraud protection rates in 2003, the plaintiffs were not in a position to determine the precise amount of the alleged overcharges, or even whether the charges were excessive at all, did not change this result. Id.

The *Davel* court ruled, however, that the plaintiffs' claim was not completely barred, but that the plaintiffs could recover refunds only for amounts they paid for CustomNet within two years before the date they filed their complaint. *Id.* at 1092-93. Applying that decision to this case, NPCC and the proposed 13 new complainants would be barred from recovering any refunds for any period prior to 2007, two years before this claim was first made in 2009. None of the actual or proposed complainants has suffered any harm since 2007, however, because Qwest lowered its payphone services rates in 2003. The rates that the Commission approved in

PAGE 11- QWEST CORPORATION'S RESPONSE TO NPCC'S MOTION FOR LEAVE TO AMEND COMPLAINT

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l	2007 were me verv	Same rates mat	OWEST HIELD	anu me Comm	nssion addrov	cu III Z	UU.J. W.	шсп

2 Qwest has been charging since 2003, and which NPCC stipulated meet the new services test.

3 See Stipulation filed October 15, 2007, PUC Docket No. UT-125, at 2, n.1. Any alleged

damages would, therefore, date back to before the date in 2003 when Qwest lowered its

CustomNet rates and recovery would be barred by the two-year statute of limitations.

NPCC also argues that the CustomNet claim would relate back, for statute of limitations purposes, to the date in 2001 when NPCC filed its original complaint. (This argument is somewhat curious, because if NPCC's CustomNet claim did not accrue until 2007, then the claim would have been unripe in 2001. Regardless, the Ninth Circuit has already determined that this claim accrued in 1997.) NPCC's CustomNet claim, proposed to be filed for the first time in 2009, would not relate back to 2001 under the plain language of ORCP 23C. Under ORCP 23C, a claim in an amended pleading relates back to the filing of the original pleading if "the claim or defense asserted in the amended pleading arose out of the conduct, transaction, or occurrence set forth or attempted to be set forth in the original pleading." Applying this rule in *Sizemore*, *supra*, the court ruled that an amended complaint which only substituted the correct plaintiff for one incorrectly named in the original complaint related back to the date of filing the original complaint, because "[t]he amended complaint did not seek greater damages or assert a theory of liability which was significantly different from the original complaint." 79 Or. App. at 357.

Adding a claim regarding CustomNet service to this case would involve a completely new theory of liability because the FCC's Waiver Order, on which NPCC based its original claim, applies only to PAL service and does not even arguably apply to CustomNet service. Thus, the complainants would be required to identify and prove an entirely different legal theory. In addition, the addition of a CustomNet claim would inject an entirely different, and increased, amount of alleged damages. For these reasons, the CustomNet claim would not relate back to 2001 and is time-barred. Thus, the Commission should deny NPCC leave to add a CustomNet claim because it has no merit.

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1	III.	CONCLUSION
2	For the foregoing reasons, the Con	mmission should deny NPCC's motion for leave to
3	amend, and this case should proceed on the	ne basis of the original Complaint.
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5	DATED: March 13, 2009	Respectfully submitted,
6		- Charles Constitution
7		By: Lawrence H. Reichman, OSB No. 86083
8		Perkins Coie LLP 1120 N.W. Couch Street, Tenth Floor Portland, OR 97209-4128
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10		and
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CERTIFICATE OF SERVICE 1 2 I hereby certify that I have this 13th day of March, 2009, served the foregoing QWEST CORPORATION'S RESPONSE TO NPCC'S MOTION FOR LEAVE TO AMEND 3 COMPLAINT upon all parties of record in this proceeding by causing a copy to be sent by electronic mail and U.S. mail to the following addresses: 4 Brooks E. Harlow Jason W. Jones 5 brooks.harlow@millernash.com Jason.w.jones@state.or.us 6 Department of Justice David L. Rice 1162 Court Street NE david.rice@millernash.com 7 Miller Nash LLP Salem, OR 97301 601 Union Street, Suite 4400 Seattle, WA 98101-2352 PERKINS COIE LLP 10 By 11 Lawrence H. Reichman, OSB #86083 Attorneys for Qwest Corporation 12 13 14 15 16 17 18 19 20 21 22 23 24

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