DATE: March 10, 2016

TO: File through Bryan Conway and Bruce Hellebuyck

FROM: Jim Stanage

SUBJECT: Frontier Communications Northwest Inc, Docket No. ADV 218/Advice No. SC16-02, Establishes a Special Contract submitted pursuant to ORS 759.250(5).

BACKGROUND

This filing will appear on the Commission's March 22, 2016, public meeting agenda.

Frontier Communications Northwest Inc. (Frontier) proposes to establish a twenty-four month special contract with a confidential customer for the Frontier OneVoice bundle and the Frontier OneVoice bundle plus Fiber Optic Services (FiOS). The contract went into effect on December 30, 2015, and it was filed on February 16, 2016. Frontier has asked staff not to divulge the contract customer's name. 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 is May 16, 2016.

Description of Contract

The contract is a twenty-four month, discount arrangement with a confidential customer for the above listed services. Because the OneVoice service is being provided at the tariffed rate, it is not a special contract service under the statute. The services are being provided in Oregon under the contract at the following monthly unit rates (compared to the tariffed rates):

	Contract Rate	Tariff Rate	Discount
Frontier OneVoice	$29.99	$29.99	0%
Frontier OneVoice + FiOS 50	$90.00	Not Tariffed	NA

Description of Services

Frontier OneVoice is a bundled service available to business customers. The bundle includes one flat rate business access line, a group of standard custom calling features,

Voicemail[1], and flat rate Extended Area Service (EAS)[2]. The standard monthly rate for Frontier OneVoice is $44.99, or $29.99 when the customer subscribes under a one, two, or three year term agreement.

FiOS is a bundled internet access, telephone, and television service that operates over a fiber-optic communications network. FiOS is not a regulated service.

STAFF ANALYSIS

Review Procedures

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

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

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

1. The contract service must be a new service with limited availability, respond to a unique customer requirement, or be subject to competition.

2. Prices must exceed the long-run incremental cost of providing the service.

3. Telecommunications utilities are required to file special contracts no later than 90 days following the effective date of the contract. Contracts must not exceed five years, and ORS 759.250 does not permit automatic contract renewals.

4. The Commission shall issue an order on the filed contract within 90 days of the filing. If the Commission does not act within 90 days of the filing, the contract is deemed approved. Staff understands that if a telecommunications utility does

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[1] Voicemail is a deregulated service, which was deregulated in PUC Order No. 96-257 (Docket UX 17).
[2] The monthly business flat rate EAS charges range from $1.90 to $8.60.

not provide sufficient evidence to support the contract under ORS 759.250, staff may recommend that the Commission reject the contract.

Classification and Unjust Discrimination Criteria

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

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

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

The company submitted 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), 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.