OREGON PUBLIC UTILITY COMMISSION INTEROFFICE CORRESPONDENCE

DATE:

August 31, 2016

TO:

File through Bryan Conway and Bruce Hellebuyc

FROM:

Jim Stanage 🔱

SUBJECT:

QWEST CORPORATION: (ADV 338/Advice No. C60-2016) Establishes a

Special Contract submitted pursuant to ORS 759.250(5).

BACKGROUND

This filing will appear on the Commission's September 13, 2016, public meeting agenda.

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 May 27, 2016, and it was filed on July 1, 2016. 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 September 28, 2016.

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 \$475.00 per unit, which represents a 24 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.

The company'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. If Qwest does not provide the contract services, a number of competitors would be able to provide the services.

Shortfall and termination liability language in the contract adequately protects other customers in case the confidential customer should seek early termination of the special contract.

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

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Description of Services

ISDN-PRS consists of 23 bearer (B)-channels and one data (D)-channel, for a total transmission rate of 1.544 Megabits per second (Mbps). It is designed for transmission through a T1 facility. Each 64 Kilobits per second (Kbps) B-channel carries user information such as voice calls, circuit-switched data, or video. The D-channel is a 64 Kbps channel that is used to carry the control or signaling information.

STAFF ANALYSIS

Review Procedures

Although the form of regulation that applies to Qwest changed November 12, 2008, pursuant to ORS 759.255 and the regulatory plan allowed by the Commission under Order Nos. 08-408 and 14-346 (UM 1354), its services offered through special contracts remain fully regulated. Thus, Qwest special contracts for its regulated services are still subject to ORS 759.250. This statute allows telecommunications utilities to enter into special contracts with customers without being subject to standard tariff filing procedures under ORS 759.175. In addition, these contracts are not subject to hearings (ORS 759.180) or suspension (ORS 759.185).

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

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

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service and rates, and ORS 759.260, unjust discrimination. discrimination. Statutes that address these areas are ORS 759.210, classification of 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 Two areas of importance in assessing special contracts were identified in Order

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

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

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

Conclusions

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

Qwest.C60.2016.ISDNPRS.File