

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UX 30

In the Matter of)	
)	
QWEST CORPORATION)	ORDER
)	
Petition to Exempt from Regulation Billing)	
and Collection Services.)	

DISPOSITION: STIPULATION ADOPTED; PETITION TO EXEMPT GRANTED

On August 4, 2005, Qwest Corporation (Qwest) filed a petition with the Public Utility Commission of Oregon (Commission) to exempt its billing and collection services from regulation under ORS 759.030.¹ Specifically, Qwest seeks to exempt all billing and collection services contained in Section 8 of its Access Price List, except those provided in Section 8.15. On September 27, 2005, the Commission adopted Staff's recommendation to suspend the petition for further investigation.

Following settlement negotiations, Qwest and Staff entered into a Stipulation, wherein Qwest and Staff agree that the public interest no longer requires full regulation of Qwest's billing and collection services. Staff filed testimony supporting the Stipulation. The stipulating parties recommend that the Commission grant Qwest's petition, subject to the condition that there must be no adverse impact or effect on Qwest's residential end-user customers. The Stipulation, which is not opposed by any party, is attached as Appendix A.

FINDINGS OF FACT

Qwest's billing and collection services provide interexchange carriers the ability to bill their services to end-user subscribers via the Qwest phone bill. Qwest's standard billing and collection services offering includes transaction (message) processing, collection of delinquent bills, and accounts receivable management. Optional services include market messages, recording with and without assembly and editing, and Qwest-provided end-user billing inquiry.

The billing and collection services are available only to other carriers who provide telecommunications services to Qwest local access-line-service customers. Furthermore, because they are wholesale services governed by ORS 759.410(3), the billing and collection services are sold exclusively to other carriers and billing aggregators.

¹ The 2005 Legislature repealed ORS 759.030 and enacted an identical provision that is now codified in ORS 759.052. See Or L 2005, c 232, §6.

Currently, there are 14 customers using Qwest's billing and collection services, all of whom are other telecommunications services carriers and billing aggregators (billing agents). All 14 customers were notified of Qwest's petition; none intervened in this proceeding.

Due to changes in the regulatory environment beginning in 1999, it became more practical for carriers to directly bill their own pre-subscribed customers. In addition, other carriers are no longer dependent upon Qwest to obtain the information necessary to perform the billing and collection function. As a consequence of these changes, the market for billing and collection services has all but disappeared. Other Oregon telecommunications providers have a successful track record of taking a significant portion of their billing and collection functions in-house through self-provisioning or direct billing. The services Qwest continues to provide represent only a small fraction of the retail telecommunications services market for billing and collection services.

Choices available to Qwest's local access line service customers for retail telecommunication services will not be affected by exempting Qwest's billing and collection services from regulation. A large majority of these end-use customers are pre-subscribed to carriers—either Qwest or other interexchange carriers—who bill them directly for services. Because there is no indication that these other interexchange carriers intend to abandon their practice of direct billing, the consequences of exempting Qwest's billing and collection services from regulation is likely to be very minor for both the current billing and collection services market and for Qwest's telecommunications service end users.

CONCLUSIONS

Applicable Law

Under ORS 759.052(1)(a)(C), a telecommunications utility may, upon petition, exempt a service from regulation if the Commission finds that the public interest no longer requires full regulation of the telecommunications services. In deciding whether to grant a petition, ORS 759.052(3) requires the Commission to consider the following: (a) the extent to which services are available from alternative providers in the relevant market; (b) the extent to which the services of alternative providers are functionally equivalent or substitutable at comparable rates and under comparable terms and conditions; (c) existing economic or regulatory barriers to entry; and (d) any other factors deemed relevant by the Commission. With regard to subsection (d), we identify the potential impact on end-user customers as a factor relevant in deciding whether to grant this petition. We address each of these factors below.

Available from Alternative Providers

We find that billing and collection services are available from alternative providers in this market through self-provisioning. Due to industry trends, billing and collection services are now primarily done in-house by telecommunications carriers, thus reducing the demand for Qwest's billing and collection services. These telecommunications carriers, who would be some of Qwest's largest billing and collection service customers if they were not performing the service in-house, have a successful track record of conducting their own billing and collection functions.

Functionally Equivalent or Substitutable

In-house self-provisioning and direct billing by carriers are both functionally equivalent and substitutable for the services provided by Qwest. Carriers can now obtain the information necessary to perform the billing and collection function without Qwest's assistance. The elimination of this information bottleneck has made it easier and faster for carriers to conduct their own billing and collection tasks in-house. Accordingly, carriers that use Qwest's services are not dependent on Qwest for their billing and collection functions.

Regulatory or Economic Barriers

This Commission has previously concluded that no regulatory or economic barriers exist to entering the billing and collection services market. *See* Order No. 94-1608. Since that decision, competitors are now more able to compete on an equal footing, as they are no longer dependent on Qwest for necessary billing information and are currently choosing to perform these functions themselves.

Potential Impact on End-User Customers

We find that the end-users of Qwest's local service will be unaffected by exempting Qwest's billing and collection services from regulation. A large majority of these customers are already pre-subscribed to carriers that bill them directly. Moreover, the carriers who directly bill their pre-subscribed customers do so according to their preference. There is no indication that these carriers intend to abandon the practice in the future. Therefore, the consequences of exempting Qwest's billing and collection services from regulation is likely to be very minor for both the current billing and collection services market and for Qwest's telecommunications services end users. In the event that residential end-use customers are harmed by exempting these services from regulation, the Commission may, under the terms of the Stipulation, take corrective action pursuant to ORS 759.052(1)(b).

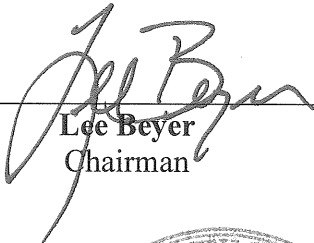
The Commission therefore concludes that the Stipulation between Staff and Qwest regarding the exemption of Qwest's billing and collection services from regulation is reasonable and that it should be adopted, subject to the condition that there will be no adverse impact or effect on Qwest's residential end-use customers.

ORDER

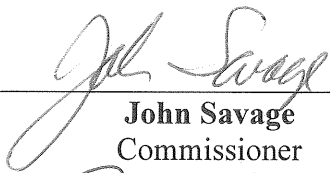
IT IS ORDERED that:

1. The Stipulation between Qwest and Staff, attached to this order as Appendix A and incorporated herein by reference, is adopted in its entirety.
2. Qwest's petition to exempt its billing and collection services from regulation is granted on the condition that there will be no adverse impact or effect on Qwest's residential end-use customers.


Made, entered, and effective MAY 15 2006.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

**PUBLIC UTILITY COMMISSION
OF OREGON**

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APR 14 2006

Public Utility Commission of Oregon
Administrative Hearing Division

STIPULATION

**Entered into between
Qwest and Staff**

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DOCUMENT(S) RECEIVED 4-14-06

**In the Matter of
QWEST CORPORATION
Petition to Exempt from Regulation Billing and
Collection Services**

April 14, 2006

DOCKETED

APPENDIX A
PAGE 1 OF 4

STIPULATION AND AGREEMENT

THIS STIPULATION AND AGREEMENT ("Stipulation"), dated February 16, 2006, is entered into between QWEST CORPORATION ("Qwest") and STAFF of the PUBLIC UTILITY COMMISSION OF OREGON ("Staff") (collectively "Parties").

RECITALS

WHEREAS, on August 4, 2005, Qwest filed a petition for exemption from regulation (hereafter "Petition"), pursuant to ORS 759.030(2) through (4) and OAR 860-032-0025, of all terms, conditions and rates of all services in Section 8, except subsection 8.15 (Wide Area Calling Service), of its Oregon Access Services Price List, Information and Billing Services, otherwise known as its "Billing and Collection services" or "B&C services," which petition was docketed UX 30;

WHEREAS, Qwest alleges in the Petition that (1) the public interest does not require continued regulation of Qwest's B&C services, given that many of the largest B&C customers, including the largest large interexchange carriers ("IXCs") in the country, have taken a significant portion of their B&C functions in house through *self-provisioning* or *direct billing*, without the need for Qwest's services, thereby reducing the size of the effective, relevant market for B&C services, (2) the availability of telecommunications services (excluding B&C services) to Qwest's ratepayer's and the presubscribed customers of alternative telecommunications service providers who are located in Qwest exchanges would not be affected if Qwest's B&C services are exempt from regulation, (3) billing vendors or billing aggregators (billing agents) are alternative providers of functionally equivalent and substitutable B&C services, and (4) there are no regulatory barriers to entry for B&C services and there are minimal economic barriers for B&C services,

WHEREAS, since August 17, 2005, Staff has issued 30 data requests to Qwest seeking information regarding the issues in this docket as part of its investigation of the Petition, and Qwest has fully responded to all such data requests;

WHEREAS, on September 19, 2005, after having reviewed the Petition, Staff issued a Staff Report for the September 27, 2005 Public Meeting in which Staff recommended that the Commission suspend and further investigate the Petition based on its conclusion that (1) the Petition does not provide information sufficient to make a finding that price and service competition exist for the Petition services or that regulation is no longer necessary to protect the public interest, and (2) a further investigation could produce more complete information that could be important in making a decision concerning the Petition's merit;

WHEREAS, on September 27, 2005, the Commission suspended the petition for further investigation, and thereafter, Administrative Law Judge Michael Grant held a prehearing conference on October 13, 2005, and thereafter set a procedural schedule;

WHEREAS, on October 31, 2005, the Citizens' Utilities Board intervened in the case as a matter of right under ORS 774.180, and no other party has intervened;

WHEREAS, B&C Services are not sold to end use customers;

WHEREAS, Staff and Qwest have received no indication that customers of Qwest's B&C Services object to the granting of the Petition;

WHEREAS, Staff and Qwest negotiated a procedural schedule and held a public workshop/settlement conference on November 17, 2005;

WHEREAS, on November 17, 2005, Staff and Qwest reached a settlement, in principle, of the issues in the docket such that Staff, having reviewed the petition and data request responses, and finding that the public interest no longer requires full regulation of B&C Services, would recommend, through this Stipulation, that the Commission grant the Petition, subject to certain conditions set forth below:

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, Qwest and Staff agree as follows:

STIPULATION

1. Staff Recommendation to the Commission that it Grant the Petition

Qwest and Staff agree that the public interest no longer requires full regulation of the petition services. Staff, through the filing of this Stipulation and supporting testimony, will recommend that the Commission grant the petition, pursuant to ORS 759.030(2) and OAR 860-032-0025(2)(c), subject to the condition that there will be no adverse impact or effect on Qwest's residential end-user customers as a result of the deregulation of the Petition services, and further, that Qwest may, but is not required to, file supporting testimony as well.

2. No Admission of Liability or Precedential Effect

Notwithstanding the agreements in this Stipulation, the Parties agree that the agreements reached in this Stipulation are not admissions by either party in any other deregulation proceeding.

3. Stipulation Contingent on Commission Approval

Qwest and Staff agree that they will seek approval from the Commission of this Stipulation, and that if the Commission does not approve the Stipulation, or modifies it in any material way, the Parties reserve their rights to withdraw from the Stipulation and litigate the issues in docket UX 30.

4. Individual Customer Rights Not Affected

The promises or provisions in this Stipulation are not intended to create any specific rights or remedies for any Qwest customer, or to expand or contract any customer's rights in any way, and may not be enforced except by the Commission, its Staff or Qwest.

5. Integrated Document

The Parties recommend that the Commission adopt this Stipulation in its entirety. The Parties have negotiated this Stipulation as an integrated document. Accordingly, if the Commission in any order or decision rejects all or any part of this Stipulation, or materially adds to or changes any of its terms, each party reserves the right to withdraw from the Stipulation upon written notice to the Commission and Qwest within fifteen (15) days of receiving notice of any such action by the Commission. In the event of such withdrawal, neither party will be bound by any provision of the Stipulation, and no such term may be cited or used against any party in connection with any case or proceeding, or otherwise.

6. No Waiver

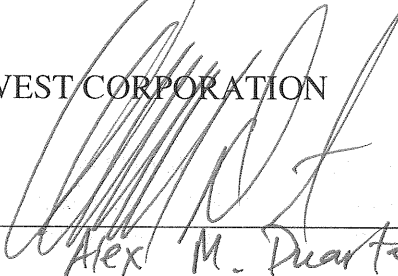
Qwest and Staff have entered this Stipulation to resolve disputed issues, and neither party admits or denies any fact or legal position at issue.

IT IS SO AGREED.

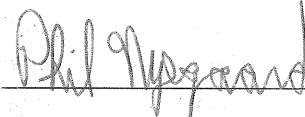
QWEST CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION

By: _____



By: _____



Its: _____

Corporate Counsel - Oregon

Its: _____

Administrator, Telecommunications Division

Date: _____

2/15/06

Date: _____

2/16/06