

ORDER NO. 14 346

ENTERED OCT 03 2014

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1354

In the Matter of

QWEST CORPORATION,

Petition for Approval of Price Plan
Pursuant to ORS 759.255.

ORDER

DISPOSITION: STIPULATION ADOPTED; PRICE PLAN APPROVED

I. BACKGROUND

The current price plan for Qwest Corporation d/b/a CenturyLink QC (CenturyLink QC) was adopted by the Commission on August 8, 2008, in Order No. 08-408. On November 13, 2012, CenturyLink QC filed a Price Plan Performance Report, in accordance with the current price plan. On May 3, 2013, CenturyLink QC filed a petition to revise the current price plan. After several rounds of settlement discussions, CenturyLink QC amended its petition on July 3, 2013, September 12, 2013, and again on January 23, 2014.

The Citizens' Utility Board of Oregon (CUB) filed a notice of intervention, and petitions to intervene were filed by Integra Telecom of Oregon, Inc. and its affiliates (Integra), the Telecommunications Ratepayers Association for Cost-Based and Equitable Rates (TRACER), McLeodUSA Telecommunication Services, Inc., and the League of Oregon Cities.

A stipulation on all issues was signed by CenturyLink QC, Commission Staff, CUB, Integra, and TRACER. The stipulation is attached to this order as Appendix A. Supporting testimony was filed by CenturyLink QC, Commission Staff, and CUB (joint parties). Integra and TRACER joined the stipulation and do not object to the stipulation's resolution of any issues, but did not sponsor the supporting testimony. No objections were filed to the stipulation.

II. THE STIPULATION

A. Forces Behind CenturyLink QC's Request for a Price Plan

The joint testimony notes that CenturyLink QC asserts that the reason the company seeks a modified price plan is to provide "additional regulatory flexibility to meet the intense

and increasing competition” now faced in retail markets.¹ CenturyLink QC also asserts that “[t]he data shows that in most cases, CenturyLink QC’s rural customers have more than one wireless carrier to choose from,”² and that “more and more customers are relying on email, texting, and social networking to meet their communication needs.”³ CenturyLink QC further indicates that “access lines have declined by 40.3%”⁴ since 2008. In addition, CenturyLink QC asserts that while “population, the number of households, and telecommunications expenditures in Oregon have increased in Oregon, CenturyLink QC’s revenues have decreased.”⁵ CenturyLink QC concludes that “possibly the most telling statistic is that while telephone subscribership has remained steady in Oregon, CenturyLink QC access lines have declined, which shows that customers are exercising their wide array of choices in CenturyLink QC’s markets.”⁶

No party takes a position regarding the validity of the claims by CenturyLink QC, but the stipulating parties represent that approval of the modified plan is in the public interest, meets the standard for review required under ORS 759.255(2), and should be approved by the Commission.

B. The Price Plan

In joint testimony, CenturyLink QC, Staff, and CUB assert that the modified plan, set forth in an attachment to the stipulation, provides a sensible regulatory framework to address the many uncertainties presented by a telecommunications market in transition from less to more competition. The joint parties represent that the modified plan provides opportunities and safeguards for both pricing and service quality over a range of potential competitive landscapes, with additional benefits to customers being imparted by network investments. If competition turns out to be robust, they indicate that the modified plan will allow customers to realize the benefits of competition through lower prices, high service quality, and the availability of new services. If competition is less than robust, however, they observe that the modified plan provides sufficient pricing and service quality safeguards to protect customers. The joint parties also note that the modified plan takes steps to reduce the cost and burden of regulation, while maintaining sufficient infrastructure for the Commission to intervene as necessary. Key provisions of the modified plan are summarized below.

1. Pricing Features

Initial prices under the modified plan will be the prices charged by CenturyLink QC in Oregon pursuant to its tariff or price list, as already approved by the Commission. The modified plan provides CenturyLink QC with significant pricing flexibility, however, for its main phone service offering: “Packages and Bundles”. The plan does not institute

¹ Joint Testimony at 5 (Aug 1, 2014), quoting Amended Petition (Jan 23, 2014) at 1.

² *Id.* at 6, quoting Amended Petition at 4-5.

³ *Id.*, quoting Amended Petition at 5.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

specific caps on Packages and Bundles, but protects customers by not allowing the total price to be more than the sum of the retail prices of all services in a package or bundle.

The modified plan also adopts certain price caps. CenturyLink QC may increase non-recurring charges for residential primary lines by a maximum of \$10 during the period of the plan. The modified plan also allows CenturyLink QC to increase monthly recurring charges for primary line basic residential service rates by \$3.00 during the period of the plan. CenturyLink QC may increase these rates up to \$2.00 on the plan's effective date, and up to an additional \$1.00 beginning in the second year of the plan. Under the modified plan, CenturyLink QC may petition the Commission to remove or adjust the price caps for primary line residential basic service, but bears the burden to show that the resulting rates would be just and reasonable, while the Commission considers the public interest factors set forth in ORS 759.255(2).

Recurring and non-recurring charges for business primary line basic services will not be subject to price caps under the modified price plan, but CenturyLink QC must provide customers with a 90-day notice of its intent to raise charges by more than \$4.00 over the plan period.

Monthly rates for "Other Services" for business customers will not be subject to caps under the modified plan. Monthly rates for Other Services for residential customers may increase up to 50 percent or \$.50, annually, whichever is greater. The cumulative price increase over the term of the modified plan may not exceed 200 percent for residential customers. Within sixty days of receiving notice of a price increase for Other Services, both business and residential customers may cancel service without incurring a non-recurring charge for removal of the service.

Rates for business services ISDN-PRI and DS-1 will not be subject to caps under the modified plan, but enhanced customer notification of any price increase is required in certain circumstances. If CenturyLink QC increases prices by more than twenty-five percent during the plan's term, the company must provide customers with six months' prior notice of the rate change that will cause the cumulative price increase to be over the limit, and of any subsequent price increase over five percent within a rolling twelve month period.

A limited number of services, mostly related to safety and privacy matters such as E911, toll restriction, call-trace, and unlisted number services, are capped at pre-plan rates. Intrastate switched access and extended area service (EAS) rates are also capped at pre-plan rates.

For residential primary line basic service and business primary line basic service, CenturyLink QC will not further deaverage beyond the three pre-plan rate groups, and existing dollar differences between rate groups will not increase. CenturyLink QC will maintain statewide average rates for all other services, except for ISDN-BRS which is currently deaveraged.

2. *Directory Listings*

The modified plan specifies that the first directory listing for a single address is included as part of primary line service, including service provided within the Packages and Bundles category. Additional listings are provided under the Other Services category.

3. *Service Quality*

CenturyLink QC will continue to be subject under the modified price plan to the Retail Telecommunication Service Standards for Large Telecommunication Utilities identified in OAR 860-023-0055, and will continue to report results to the Commission on a monthly basis. The modified plan also provides: 1) the performance plan leniency contained in section V.B.1 of the price plan adopted in Order No. 08-408 (the "Current Plan") will not be present in the modified plan; and 2) CenturyLink QC will be able to seek an exemption from its current service quality reporting requirements pursuant to OAR 860-023-0055(15)(c).

4. *Commitments*

CenturyLink QC commits to spending funds to complete the following projects:

- CenturyLink's portion of the South Oregon Coast Diversity Project at an estimated cost of \$150,000 which will provide route diversity and public safety benefits to customers in the region;
- Construct, at an estimated equipment cost of \$500,000, the Hood River Gorge Diverse Route Fiber Ring which will establish route diversity to the Hood River, Columbia Gorge, and Mt. Hood areas, provide 911 SS7 link redundancy for legacy CenturyTel and United customers in the same area, and delivery diversity for CenturyLink QC's internet connections statewide;
- If CenturyLink completes the above projects and costs are less than the estimated \$650,000, CenturyLink will also complete additional projects as identified in the plan or will work with Commission Staff and CUB to identify new projects.

5. *Reporting Requirements*

CenturyLink QC will file a report comparing its performance to the objectives of the modified plan by the 90th day of the third year of operation under the plan. The report will review how the objectives of the modified plan are being met and will include information specified by the stipulation.

6. *Term*

The term of the modified price plan is three years, with CenturyLink QC having the option to extend the plan by an additional (fourth) year. No later than the end of the

second year of the modified plan, CenturyLink QC will notify the Commission of an intent to extend the plan for a fourth year, or may petition the Commission to seek a new price plan, or modifications, or any other form of regulation.

7. *Conditions for Review of the Plan*

CenturyLink QC's performance under the modified plan will be reviewed by the Commission every three years. The company will file a performance report by the 90th day of the third year of operation of the plan. The report will review how objectives of the modified plan are being met and will include particular information.

8. *Modifications*

The modified plan allows the Commission to open an investigation at any time, with notice and an opportunity for a hearing, pursuant to ORS 756.515, to determine whether adjustments to the plan or termination of the plan is required by the public interest, as determined by reference to the factors set forth in ORS 759.255(2).

9. *Waivers*

The modified plan provides for the waiver in whole or in part of certain statutes, as authorized by ORS 759.255(5). The plan also provides for the waiver in whole or in part of certain rules, as authorized by OAR 860-022-0001(2). The full list of waivers is identified in the attached stipulation.

10. *Plan Addresses Concerns*

In response to Integra's concerns regarding Commission authority over mergers and acquisitions, impacts of the privilege tax waiver, and ongoing service quality, the modified plan retains Commission authority over mergers and acquisitions, retains service quality standards and reporting, and does not waive the 4 percent privilege tax rule. The modified plan's requirement to maintain statewide average prices for services addresses TRACER's concern about rates for its members under a price plan. Additionally, the modified plan's requirement that notification be provided six months in advance of a significant rate change addresses concerns about lead time for customers to choose alternate suppliers.

11. *Showing of Public Interest*

The stipulating parties indicate that to approve the modified price plan, the Commission must find it to be in the public interest. ORS 759.255(2) delineates four criteria for the Commission to consider, among other matters, in making a determination about the public interest. The stipulating parties agree, or do not object, that the modified plan satisfies the public interest standard. The joint testimony addresses how the modified price plan satisfies the four statutory criteria.

a. *Criterion A: The Plan Ensures Just and Reasonable Rates*

The joint parties observe that initial prices in the modified plan have already been deemed just and reasonable by the Commission. Increases from the initial prices, the joint testimony states, are subject to three types of caps: pre-plan rate caps, specific caps, and “sum of the pieces” caps.

The joint parties identify certain services as being subject to a pre-plan rate cap, such as EAS, toll restriction, call trace (*59), unlisted numbers, and intrastate switched access. Staff and CUB observe that the cap is appropriate because such services may not be competitively provided, or are matters of public safety or privacy. The joint parties also indicate that specific caps limit increases for residential primary line basic service in recognition that certain customers who subscribe to single line service and use limited or no calling features or limited long distance service may have fewer competitive options than other customers. Residential Other Services have a maximum increase cap, the joint testimony observes. Finally, the joint parties assert that although flexibly priced, a sum of the piece parts cap still applies to Packages and Bundles.

The joint parties also explain that the modified plan applies enhanced customer notification requirements to rate increases, in order to mitigate rate shock, for the recurring charge for primary line basic service for business customers, ISDN-PRI, and DS-1.

The joint parties also state that statewide average prices will be maintained under the plan for all services currently priced on a statewide basis. For example, they explain, if CenturyLink QC decreases the price of a service currently priced on a statewide average by \$1.00, the decrease would be applied throughout the service territory of CenturyLink QC.

b. *Criterion B: The Plan Ensures High Quality Services and Makes New Services Available*

The joint parties assert that, under the modified plan, CenturyLink QC pledges to maintain the quality of its retail services at current or above already high levels, and obligates itself to meet or exceed the Commission’s applicable retail service standards and reporting requirements, while continuing its current reporting practices as prescribed by OAR 860-023-0055. The joint parties also observe that the modified plan requires CenturyLink QC to spend \$650,000 in network improvement investments.

In addition, the joint parties point out that the modified plan contains an objective requiring CenturyLink QC to make new telecommunications services available. Since no price cap would apply to new services, the joint parties indicate that CenturyLink QC will have the opportunity to respond to evolving market competition.

c. *Criterion C: The Plan Maintains the Appropriate Balance between Regulation and Competition*

The joint parties assert that alternative forms of regulation is likely appropriate in an evolving telecommunications market. The joint parties argue that the price controls of the modified plan provide protections for market segments that may have fewer options while providing CenturyLink QC with greater pricing flexibility in markets with more options. The plan allows for modification by the Commission, the joint parties observe, should intervention be deemed necessary. The modified plan also retains Commission oversight of service quality.

d. *Criterion D: Simplifies Regulation.*

The joint parties indicate that the modified plan provides for the full or partial waiver of certain statutes and rules identified above, thereby simplifying regulation under the plan. The joint parties assert that the waivers eliminate the administrative burden of statutes and rules that are no longer needed.

III. DISCUSSION

We conclude the stipulation and modified price plan for CenturyLink QC meet the criteria set forth in ORS 759.255(2) and is in the public interest. We find that the stipulation should be adopted, and that the modified price plan should be approved.

A. Public Interest

We may approve a price plan if we find it to be in the public interest. In making this determination, ORS 759.255(2) requires us to consider, among other things, whether the plan:

- (a) Ensures prices for telecommunications services that are just and reasonable;
- (b) Ensures high quality of existing telecommunications services and makes new services available;
- (c) Maintains the appropriate balance between the need for regulation and competition; and
- (d) Simplifies regulation.

For the reasons cited by the joint parties, we agree that the modified plan meets these criteria and is in the public interest. The modified plan ensures prices are just and reasonable by requiring CenturyLink QC to initially charge rates that have been previously approved by this Commission, and incorporates existing and new price caps to ensure future increases are fair and just. The modified plan also ensures the continued

provision of high quality services by subjecting CenturyLink QC to our retail service standards and reporting requirements and including service performance guarantees. The modified plan also provides CenturyLink QC with opportunities to respond to evolving market competition and make new telecommunications services available.

The modified plan also simplifies regulation, while maintaining the appropriate balance between regulation and competition. The modified plan provides for the waiver of certain statutes and rules, as identified above, and provides CenturyLink QC with pricing flexibility in more competitive markets, but installs price cap or customer notification protection for market segments with fewer options. Moreover, the modified plan allows the Commission to modify the plan when necessary.

IV. ORDER

IT IS ORDERED that the stipulation between Qwest Corporation d/b/a CenturyLink QC , the Citizens' Utility Board of Oregon, Integra Telecom of Oregon, Inc. and its affiliates , the Telecommunications Ratepayers Association for Cost-Based and Equitable Rates and the Staff of the Public Utility Commission of Oregon, attached hereto as Appendix A, is adopted.

Made, entered, and effective OCT 03 2014.

COMMISSIONER ACKERMAN WAS
UNAVAILABLE FOR SIGNATURE

Susan K. Ackerman
Chair

John Savage
John Savage
Commissioner

Stephen M. Bloom
Stephen M. Bloom
Commissioner



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1354

In the Matter of

QWEST CORPORATION,

Petition for Approval of Price Plan
Pursuant to ORS 759.255.

STIPULATION

This Stipulation is entered into for the purpose of resolving all issues in this proceeding by and among the parties as set forth below.

PARTIES

1. The parties to this Stipulation (the "Stipulation") are Qwest Corporation, d/b/a CenturyLink QC ("CenturyLink QC"), Public Utility Commission of Oregon Staff ("Staff"), Citizens' Utilities Board of Oregon ("CUB"), Integra Telecom of Oregon, Inc. and its affiliates ("Integra"), and the Telecommunications Ratepayers Association for Cost-based and Equitable Rates ("TRACER").¹ The parties may be referred to hereafter collectively as the "Joint Parties" or individually as a "Party." This Stipulation will be made available to other parties to this docket, who may participate by signing and filing a copy of this Stipulation.

¹ In addition, the ALJ Kirkpatrick granted the petition to intervene of the League of Oregon Cities ("League") on January 26, 2014. However, the League does not oppose this Stipulation.

2. The Joint Parties agree, or do not object, that approval of the stipulated price plan attached hereto as Exhibit A (the "Price Plan") and this Stipulation satisfies the public interest standard in ORS 759.255 and that the Public Utility Commission of Oregon (the "Commission") should issue an order approving this Stipulation and the Price Plan. A Party may not have taken a position on each issue in the Price Plan. To the extent that a party did not take a position on an individual issue, the Party does not object to that the terms related to that issue in the Price Plan.

BACKGROUND

3. The Commission adopted CenturyLink QC's current price plan on August 8, 2008, in Order No. 08-408 ("Current Price Plan"). On November 13, 2012, CenturyLink QC filed its Price Plan Performance Report, in accordance with the Current Price Plan. CenturyLink QC filed to revise the Current Price Plan on May 3, 2013. After several rounds of settlement discussions, CenturyLink QC amended its Petition for Revision of Price Plan on July 3, 2013, September 12, 2013 and January 23, 2014.

4. ALJ Kirkpatrick presided over a prehearing conference on February 26, 2014, and adopted a schedule for the proceeding the same day. The Joint Parties subsequently exchanged proposals to reach a settlement of the issues in the case and participated in a workshop to discuss those proposals. The workshop was noticed and opened to all parties to the docket. The Stipulation is a product of these discussions.

AGREEMENT

5. Exhibit A sets forth the terms and conditions of the Price Plan the Joint Parties agree the Commission should approve. By executing this Stipulation, CenturyLink QC agrees to abide by and perform all terms of this Stipulation and the Price Plan. By executing this Stipulation, the Joint Parties agree to abide by and perform all agreements set forth in this Stipulation.

6. CenturyLink QC acknowledges and agrees that no rate, tax, term or condition in any interconnection agreement will change as a result of CenturyLink QC's Petition and any subsequent Stipulation in this docket. Any change to a rate, tax, term or condition in any interconnection agreement must be effectuated pursuant to the terms of such interconnection agreement and subject to 47 U.S.C. Sections 251-252 and the approval of the Commission; provided, however, that CenturyLink QC may seek Commission approval of changes to any such rates in a generic cost docket. CenturyLink QC further acknowledges that Commission approval of its Petition and subsequent Settlement Agreement in this docket shall not in any way impact its continuing obligations under existing interconnection agreements and shall not in any way impact its continuing obligations under Sections 251 and 252 of the Telecommunications Act of 1996, 47 U.S.C. 251-252, nor any federal or state regulations, orders or rules promulgated under such statutes, nor any federal rules or orders

promulgated under any section of the Federal Communications Act of 1934 (the "Communications Act"), as amended.

7. The Joint Parties agree, or do not object, that the Price Plan will be effective immediately following the Commission's approval of this Stipulation and the Price Plan.

8. The Joint Parties agree, or do not object, that the terms of this Stipulation and Price Plan satisfy the public interest standard set forth in ORS 759.255 for approval of this Price Plan.

9. The Joint Parties agree not to oppose this Stipulation and the Price Plan and will make no effort to undermine Commission approval. This Stipulation will be offered into the record of this proceeding as evidence pursuant to OAR 860-001-0350(7). The Joint Parties may provide either witnesses to sponsor testimony or legal representatives with respect to this Stipulation. The Joint Parties will recommend the Commission issue an order adopting the agreements contained herein and approving this Stipulation and the Price Plan.

10. CenturyLink QC requests the Commission enter an order approving this Stipulation and the Price Plan as soon as possible and not later than August 31, 2014.

The Joint Parties support this request.

11. The Joint Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation or the

Price Plan, or imposes additional material conditions in approving the Stipulation and the Price Plan, any Party shall have the right, upon written notice to the Commission and all other Parties within 15 business days of the Commission's order, to withdraw from this Stipulation or seek reconsideration or appeal of the Commission's order, or both. However, prior to withdrawal, the Party shall engage in good faith negotiation with the other Joint Parties. No Party withdrawing from this Stipulation shall be bound to any position, commitment, or condition of this Stipulation.

12. The Joint Parties agree that this Stipulation represents compromises in the positions of the individual Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. By entering into this Stipulation, no Party will be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation, other than as specifically identified in this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as expressly identified in this Stipulation.

13. The effective date of this Stipulation as to each Party will be the date of that Party's signature to the Stipulation.

14. This Stipulation may be executed in counterparts and each signed counterpart will constitute an original document.

This Stipulation is entered into by each Party as of the date(s) entered below:

Citizens' Utility Board of Oregon

Public Utility Commission of Oregon Staff

By: _____
Sommer Templet

By: _____
Jason W. Jones

Date: _____

Date: _____

Qwest Corporation d/b/a CenturyLink QC

Telecommunications Ratepayers Association for Cost-based and Equitable Rates

By: 
William E. Hendricks III

By: _____
Arthur A. Butler
Of Attorneys for TRACER

Date: 7/31/2014

Date: _____

Integra Telecom of Oregon

By: _____
Douglas Denney

Date: _____

ORDER NO.

14 346

This Stipulation is entered into by each Party as of the date(s) entered below:

Citizens' Utility Board of Oregon

Public Utility Commission of Oregon Staff

By: _____
Sommer Templet

By:  _____
Jason W. Jones

Date: _____

Date: 7/31/14

Qwest Corporation d/b/a CenturyLink QC

Telecommunications Ratepayers Association for Cost-based and Equitable Rates

By: _____
William E. Hendricks III

By: _____
Arthur A. Butler
Of Attorneys for TRACER

Date: _____

Date: _____

Integra Telecom of Oregon

By: _____
Douglas Denney

Date: _____

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By: _____
Sommer Templet

By: _____
Jason W. Jones

Date: _____

Date: _____

Qwest Corporation d/b/a CenturyLink QC

Telecommunications Ratepayers Association for Cost-based and Equitable Rates

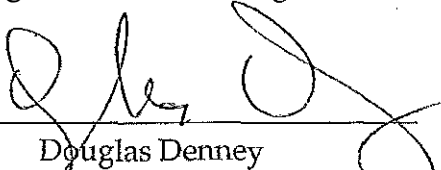
By: _____
William E. Hendricks III

By: _____
Arthur A. Butler
Of Attorneys for TRACER

Date: _____

Date: _____

Integra Telecom of Oregon

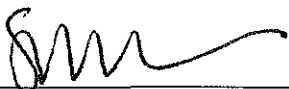
By: 
Douglas Denney

Date: 8/1/2014

This Stipulation is entered into by each Party as of the date(s) entered below:

Citizens' Utility Board of Oregon

Public Utility Commission of Oregon Staff

By: 
Sommer Templet

By: _____
Jason W. Jones

Date 8/11/14

Date: _____

Qwest Corporation d/b/a CenturyLink QC

Telecommunications Ratepayers Association for Cost-based and Equitable Rates

By: _____
William E. Hendricks III

By: _____
Arthur A. Butler
Of Attorneys for TRACER

Date: _____

Date: _____

Integra Telecom of Oregon

By: _____
Douglas Denney

Date: _____

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Citizens' Utility Board of Oregon

Public Utility Commission of Oregon Staff

By: _____
Sommer Templet

By: _____
Jason W. Jones


Date: _____

Date: _____

Qwest Corporation d/b/a CenturyLink QC

Telecommunications Ratepayers Association for Cost-based and Equitable Rates

By: _____
William E. Hendricks III

By: 
Arthur A. Butler
Of Attorneys for TRACER

Date: _____

Date: 7/31/14

Integra Telecom of Oregon

By: _____
Douglas Denney

Date: _____

UM 1354
Exhibit A – Price Plan

**Price Plan Pursuant to ORS 759.255
Qwest Corporation d/b/a CenturyLink QC**

DEFINITIONS:

1. “New service” means a retail telecommunications service that is offered in Oregon for the first time following the effective date of this Price Plan. A service is not a new service if it merely renames, repackages, or is a variation of an existing service, or if it is reintroduced in substantially the same form after having been provided for free, withdrawn or abandoned.
2. “pre-Plan rates” means the rates charged by CenturyLink QC (the Company) in Oregon pursuant to its tariffs or price list that were effective on May 19, 2014, or CenturyLink QC’s original introductory price for any new service introduced after May 19, 2014, but before the effective date of this Price Plan.
3. “Primary line basic service” means the first line only of basic local exchange service for an individual residential or business customer account at a single location that is not sold as part of a package. For purposes of this definition, “basic local exchange service” means residential single party flat rate local exchange service; residential single party measured local exchange service, including local exchange usage; business single party flat rate local exchange service; and business single party measured local exchange service, including local exchange usage. These rates are set forth in CenturyLink QC’s P.U. C. Oregon No. 33 Local Exchange Tariff, Section 5, Sheet 46 and Sheets 48-51.
4. “Other Services” means any other residential or business services contained in CenturyLink QC’s intrastate retail tariffs that are not expressly listed in the Price Plan. “Other Services” does not include Packages and Bundles.

UM 1354
Exhibit A – Price Plan

5. “Packages and Bundles” means any combination of services which may include primary line residential or primary line business service as well as other services at a combined price.

A. General Objectives. CenturyLink QC’s Price Plan, as amended and agreed to through the associated stipulation, (“Price Plan” or “Plan”) will achieve the following objectives;

1. Ensure the Plan is operating in a way that is in the public interest.
2. Produce prices for CenturyLink QC’s retail telecommunications services that are just and reasonable.
3. Ensure that the quality of existing telecommunications services will stay at or above current levels.
4. Maintain the appropriate balance between the need for regulation and competition.
5. Simplify and reduce the burden of regulation for both CenturyLink QC and the Commission.
6. Maintain the availability of primary line basic service at affordable rates throughout the state.
7. Increase CenturyLink QC’s pricing flexibility to meet changing market conditions.
8. Make new telecommunications services available.

B. Pricing and Availability of Services under Price Plan Initial Rates. The rates that CenturyLink QC currently charges in its approved tariffs and price lists will be its pre-Plan rates. These rates are subject to adjustment as provided below.

1. Price Caps

- a. Non-recurring charges for residential primary line basic service. Charges may increase a maximum of \$10 during the period of the Price Plan.

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Exhibit A – Price Plan

- b. Recurring charges for residential service. Primary line basic service for residential customers will be subject to price caps. Monthly rates for this Service may increase a maximum of \$3.00 during the period of the Price Plan. CenturyLink QC may increase these rates up to a \$2.00 on the Price Plan's effective date, and may increase rates up to an additional \$1.00 beginning in year 2 of the Price Plan.
- c. Recurring and non-recurring charges for business primary line basic services. Rates for these services will not be subject to price caps. If CenturyLink QC increases the recurring charge by more than \$4 over the term of the plan, CenturyLink QC must provide customers 90 day notice prior to 1) making the change that causes the cumulative price increase over the term of the Price Plan to exceed \$4.00 and 2) making any subsequent price changes.
- d. Availability. CenturyLink QC will continue to offer primary line residential and business basic service on a stand-alone basis.
2. Petition to remove or adjust price caps. CenturyLink QC may petition the Commission to remove or adjust the price caps for primary line residential basic service. CenturyLink QC will have the burden of showing that the removal or adjustment of the price caps for primary line residential basic service will result in rates that are just and reasonable. The Commission may also consider whether removal or adjustment of the price caps is in the public interest, considering the factors set forth in ORS 759.255(2). There is no presumption as part of this Price Plan that the Joint Parties would support such a petition.

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Exhibit A – Price Plan

- C. Telephone Assistance Plans.** CenturyLink QC will continue to offer current Telephone Assistance Plans (OTAP, Tribal Lifeline, and Tribal Link-Up) pursuant to state and federal requirements.
- D. Switched Access.** Rates for intrastate switched access services will be capped at current rates and the Commission may adjust the price caps if required by FCC action.
- E. EAS.** Rates for extended area service (EAS) are capped at current rates but, for billing purposes, the Company is permitted to combine the rate for primary line residential basic service and EAS into a single rate. CenturyLink QC will continue to offer customers all existing options, including measured EAS service combined with monthly flat rate service. CenturyLink QC will not be required to establish any new or expanded EAS routes as long as it operates under the Price Plan.
- F. DS-1 and ISDN-PRI Services.** Rates for DS-1 and ISDN-PRI services will not be subject to price caps. If CenturyLink QC increases prices more than 25 percent over the term of the plan, CenturyLink QC must provide customers 6 months notice prior to 1) making the change that causes the cumulative price increase over term of the Price Plan to exceed 25 percent, and 2) making any subsequent price increases of over 5 percent within a rolling 12 month period.
- G. E911 Services (including PS/ALI).** Rates, terms and conditions remain at pre-Plan status.
- H. Other Services.** Monthly rates for “Other Services” for business customers will not be subject to price caps. Monthly rates for residential customers may increase up to 50 percent or \$.50, annually, whichever is greater. The cumulative price increase over the term of the Price Plan is not to exceed 200 percent for residential customers. Within 60 days of receiving notice of price increase to “Other Services,” business and residential customers

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who request removal of any service contained in “Other Services” will not incur a non-recurring charge for the removal of the service.

- I. Rate averaging.** For residential primary line basic service and business primary line basic service, CenturyLink QC will not further deaverage beyond the three existing (pre-Plan) rate groups. Existing dollar differences between rate groups will not increase. For all other services, CenturyLink QC will maintain the statewide average rates, except for ISDN-BRS which is currently deaveraged.
- J. New Services.** Any new service introduced after the effective date of the Price Plan will not be subject to price caps. (Definition of New Services not to include repackaging of existing services.)
- K. Toll Restriction/Call Trace/Unlisted Numbers.** These three services are capped at pre-Plan rates.
- L. Directory Listings.** The first listing is included with primary line telephone service, including those within Packages and Bundles. The second and any other additional listings will be subject to the “Other Services” rate cap above.
- M. Exogenous change adjustments.** CenturyLink QC may petition the Commission for adjustments to the price cap for any service provided under the Price Plan to reflect factors outside the Company’s control, which will have a material impact on the Company (e.g., changes in law, rule, or tax structure as a result of legislative, judicial, or administrative agency action). For example, the Company may request consideration of changes in Universal Service Support, FCC imposed price floors, etc. if those items are beyond its control and have a material impact on the Company. There is no presumption as part of this Price Plan that the Joint Parties would support such a petition, and not all parties agree that

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the specific examples set forth in this paragraph constitute an appropriate reason for the Company to make such a filing under this provision of the Price Plan.

- N. Intrastate Special Access.** Nothing in this Price Plan affects existing intrastate special access services. CenturyLink QC may petition the Commission separately for any proposed rate changes to intrastate special access services.
- O. Packages and Bundles.** CenturyLink QC may combine any regulated telecommunications service with any other service(s) to offer packages and bundles of services, which may include primary line residential basic service and EAS, at any price subject to the following conditions:
1. Customers can purchase separately from the company's tariff or price list any regulated telecommunications service included in the package or bundle.
 2. The package or bundle price is not more than the sum of the retail prices of all services available in the package or bundle.

Terms applicable to new packages or bundles, including those that include primary line residential basic service, will be established in the Company's price list at least one day prior to their effective date.

- P. Notice of tariff changes.** CenturyLink QC will provide the Commission notice of price increases or other changes to terms and conditions for services under price cap by making tariff filings at least 30 days prior to the effective date of such price changes. The Company will provide the Commission notice of price decreases for services under price cap by making tariff filings at least one day prior to the effective date of such price decreases.

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CenturyLink QC will make price list changes for New Services, Other Services, and Packages and Bundles at least one day prior to the effective date of any price change.

CenturyLink QC will also provide customers at least 30 days prior notice for services they are purchasing at the time of the price increase. For services on a per-call basis,

CenturyLink QC will give reasonable notice to the customer of the price prior to the customer's use of the service.

Q. Services exempt from regulation. Services that the Commission has already ordered to be exempt from regulation will remain exempt from regulation, subject to the conditions of the order that exempted the service from regulation. CenturyLink QC retains the ability to petition the Commission to exempt additional services from regulation under ORS 759.052.

R. Promotions. CenturyLink QC may offer promotions for primary line residential basic service and other regulated services pursuant to ORS 759.182 and 759.267.

S. Service Quality. CenturyLink QC will continue to be subject to the Retail Telecommunications Service Standards for Large Telecommunications Utilities identified in OAR 860-023-0055 subject to the following points of clarification: 1) the performance plan leniency contained in section V.B.1 will not be present in the new plan and 2) CenturyLink QC will be able to seek an exemption from its current service quality reporting requirements pursuant to OAR 860-023-0055(15)(c) in the new plan (i.e., the agreement not to do so in II.B.3 of the current plan will not be present in the new plan).

T. Specific Commitments.

- a. **Service Performance Guarantees.** The service performance guarantee present in the Price Plan adopted in Order No. 08-408 will be removed. That guarantee will be reinstated if the standard in 860-023-0055(4) - on a statewide basis, or 860-023-

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0055(6) – for any repair center, is missed for 3 months out of a 12 month rolling period. Force Majeure events, as defined in OAR 860-023-0055(1)(h), that cause a miss in the service results will not be counted as a miss for purposes of reinstating the service performance guarantees. If the service performance guarantee program is reinstated due to missing either of the standards, the program can be removed again if the company meets the previously missed standard for a 12 month period.

- b. Network and Other Investments. CenturyLink invests in its Oregon network to expand the network’s capabilities and enhance reliability, thereby providing benefits to its customers. In order to provide a customer benefit during the term of the Price Plan, CenturyLink agrees to make the following public benefit commitments:
- i. CenturyLink’s portion of the South Oregon Coast Diversity Project at an estimated cost of \$150,000 which will provide route diversity and a public safety benefit to customers in that region.
 - ii. The Hood River Gorge Diverse Route Fiber Ring. This is a fiber ring CenturyLink intends to construct to establish route diversity to the Hood River, Columbia Gorge and Mount Hood areas, which will also provide diversity for legacy CenturyTel and United Internet connections statewide and 911 SS7 link redundancy for legacy CenturyTel and United customers in the Hood River, Columbia Gorge and Mount Hood areas. The estimated equipment cost for this project is \$500,000.
 - iii. If CenturyLink completes the projects above in T (b) (i and ii), and the project actual costs are less than the estimated \$650,000, CenturyLink will complete

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additional projects as identified in T (c) (ii) or will work with Staff and CUB to identify new projects to reach the \$650,000.

- c. If CenturyLink is unable to complete the projects identified in T (b) (i. and ii.) above, CenturyLink would commit to the following projects:
- i. Same as (b)(i) above.
 - ii. Augments to CenturyLink's backbone fiber rings to migrate services off the original platform to a newer and higher capacity ring. This upgrade would provide the ability to add capacity as well as new technologies to the existing backbones rings. This project would benefit all CenturyLink Oregon customers.
 - iii. If CenturyLink is unable to complete the projects identified in b above, CenturyLink would invest the same estimated dollar amounts that were agreed to in section b for projects listed in section c (subparagraphs i. and ii.)

U. Waiver of statutes, rules, and UM 1484 Merger Conditions.

1. Statutes. CenturyLink QC's compliance with the following statutes, and all Commission rules implementing these statutes, is waived in full, unless a partial waiver is noted:
- ORS 759.120 Form and manner of accounts prescribed by Commission. Partial to the extent allowed by Order 11-095, Condition #11.
 - ORS 759.125 Records and accounts prescribed by Commission; prohibition on other records or accounts; exception; blanks for reports. Partial to the extent allowed by Order 11-095, Condition #11.
 - ORS 759.135 Depreciation accounts; un-depreciated investment allowed in rates; conditions. Full waiver. Waiver of this rule should not be understood

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to impact the requirement to report plant depreciation as requested in the Form O.

- ORS 759.180 to ORS 759.200 (with the exception of ORS 759.182).
- Full waiver of statutes listed below:
 - 759.180 Hearing on reasonableness of rates; procedures; exceptions
 - 759.185 Suspension of rates pending hearing; time limitation; refund of revenue collected; interim rates.
 - 759.190 Notice of Schedule Change
 - 759.195 Price listing of services; conditions; maximum rates; essential services; justification by utility of rates for price-listed services.
 - 759.200 Inclusion of amortizations in rates; deferral of certain expenses or revenues; limitation on amounts; prohibited uses.
- ORS 759.215(2) Public access to schedules. Full waiver.
- ORS 759.220 Joint rates and classifications; procedure; considerations – Partial waiver with regard to joint rates and establishment of new through services, but not with regard to canceling any existing through service.
- ORS 759.285 Charging rates based on cost of property not presently providing service. Full waiver.
- ORS 759.300 to ORS 759.360 – Issuance of Securities. Full waiver.
- ORS 759.385 to 759.393 Affiliate interest contracts.

2. Rules. CenturyLink QC's compliance with the following Commission rules is waived in full, unless a partial waiver is noted:

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- OAR 860-022-0025(2)(b) and (c) Requirements for Filing Tariffs or Schedules Changing Rates.
- OAR 860-022-0030 Requirements for Filing Tariffs or Schedules Naming Increased Rates.
- OAR 860-027-0015 New Construction Budget
- OAR 860-027-0050 Uniform System of Accounts for Large Telecommunications Utilities, partial waiver per Order 11-095, condition #11.
- OAR 860-027-0052 Allocation of Costs by a Large Telecommunications Utility
- OAR 860-027-0100 Reporting of Affiliated Transactions

3. Other.

- Partial waiver of Condition #11 in Commission Order 11-095 (appendix A) in Docket UM 1484 imposing as a condition of approval of the merger a requirement that CenturyLink QC annually submit Form O and Form I. CenturyLink QC will submit a Form I every three years (next report due 2016). No waiver of annual requirement for Form O.
- CenturyLink QC is not required to provide regional information in the Form O, and will only be required to provide Oregon-specific information in the Form O. CenturyLink QC is not required to file the following schedules in the annual Form O:
 - B-2. Analysis of Depreciation and Amortization
 - B-3. Analysis of Charges related to Plant Retired
 - B-4. Long-term Debt
 - I-4. Operating Taxes other than Federal Income Tax

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- I-6. Reconciliation of Reported Net Income with Taxable Income for Federal Income Tax
- I-7. Reconciliation of Reported Net Income with Taxable Income for Oregon State Excise Tax
- I-8. Transactions with Affiliated and NonRegulated Operations

- CenturyLink QC's Form I filing, due every three years beginning in 2016, will be in the format provided in Attachment 1 to the Price Plan.

V. Term and Conditions for Review of CenturyLink QC's Performance Under Price Plan.

Term: The Price Plan will extend for three years, with an option for CenturyLink QC to extend the Price Plan by an additional (fourth) year. No later than the end of the second year of the Price Plan, CenturyLink QC will notify the Commission of its intent to extend the Plan for a fourth year or petition the Commission seeking 1) a new price plan; 2) modification to the existing Price Plan; or 3) any other form of regulation that may be applicable. If the Company elects to extend the Price Plan for a fourth year, it will be required to petition the Commission for a new form of regulation no later than the end of the third year of the Price Plan. Should the Company provide notice that it intends to extend the Price Plan for the fourth year, rates will remain at the negotiated cap(s) for basic residential service unless CenturyLink QC has not exercised the full dollar amount of the cap(s).

Three-year review: CenturyLink QC's performance under the Price Plan will be reviewed by the Commission every three years. The Company will file a report regarding its performance as compared to the objectives of the plan by the 90th day of the third year of operation under the plan. The report will review how the objectives of the plan are being met and will include the following information:

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1. An analysis of current market conditions for the various categories of CenturyLink QC's regulated retail telecommunications services to the extent such information is publically available.
2. Data regarding the gain or loss of access lines by wire center.
3. A discussion of how the pricing flexibility allowed the Company to meet the plans objectives.
4. Identification of any new services CenturyLink QC has introduced.
5. Identification of any ways in which the burden of regulation for both the Company and the Commission has been simplified or reduced.

W. Evaluation of market, modifications to Plan.

The Commission will review the data submitted by CenturyLink QC and any other relevant evidence regarding the competitiveness of the market for services that are functionally equivalent or substitutable for services offered by the Company, as well as any other relevant factors, and determine whether other modifications to the Plan are appropriate to provide CenturyLink QC with additional regulatory flexibility beyond that included in the original Price Plan.

The Commission may open an investigation at any time pursuant to ORS 756.515 to determine whether further adjustments to the price plan or termination of the Price Plan is required by the public interest, according to the factors set forth in ORS 759.255(2). The Commission may order further adjustments to the Price Plan or termination of the Price Plan only after providing the Company notice and an opportunity for hearing. In any such investigation and proceeding, the Joint Parties agree that the Commission should first

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attempt to identify and require adjustments to the price plan such that the continuation of the Price Plan is in the public interest before it orders termination of the Price Plan.

1. If the Commission orders termination of the Price Plan, CenturyLink QC would no longer be able to increase its rates as it was permitted to do under the Price Plan, but the Company would be allowed to decrease its rates subject to any applicable price floor.
2. If the Commission orders termination of the Price Plan, the Company may thereafter pursue any form of price regulation or relief therefrom then permitted under Oregon law, including but not limited to: exemptions from regulation pursuant to ORS 759.052; price listing pursuant to ORS 759.054, 759.056, and/or 759.195; rate regulation pursuant to ORS 759.175-759.190; another price plan pursuant to ORS 759.255; or price cap regulation pursuant to ORS 759.405-759.410.
3. If the Commission orders early termination of the Price Plan, the Parties agree the Commission may also, in the same proceeding, adjust CenturyLink QC's rates to ensure that the Company's rates are just and reasonable, and the Parties agree not to advocate for rates that are lower than pre-Plan rates. CenturyLink QC would no longer be able increase its rates as it was permitted to do under the Price Plan, but the Company would be allowed to decrease its rates subject to any applicable price floor.

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20XX FORM I INPUT MASTER			
COMPANY NAME: <enter name>			
FCC Account and Description	Note No.	Line No.	Total Oregon Operations Subject To Separations
DETAIL			(Note 1)
PLANT IN SERVICE			
21XX General Support Facilities		1	0
22XX Central Office Equipment:			
CAT 1-Operator Systems		2	0
CAT 2-Tandem Switching (Alloc.)		3	0
CAT 2-Tandem Switching (Assign.)		4	0
CAT 3-Local Switching		5	0
CAT 4.12 -Exch. Trunk (Joint Use)		6	0
CAT 4.12 -Exch. Trunk (Ded. Use)		7	0
CAT 4.13 -Subscr. Line (Joint Use)	(6)	8	0
CAT 4.13 -Subscr. Line (Ded. Use)		9	0
CAT 4.23 -IX Trunk (Joint Use)		10	0
CAT 4.23 -IX Trunk Ckt. (Ded. Use)		11	0
CAT 4.3 -Host/Remote Trunk Ckt.		12	0
COE Other (Wideband CAT 4.11, .12 & .22)	(7)	13	0
Total COE		14	0
23XX Information Orig./Term. Equipment:			
CAT 1-Regulated CPE		15	0
Other IOT		16	0
Total IOT		17	0
24XX Cable & Wire Facilities:			
CAT 1.3-Subscriber Line (Common)	(6)	18	0
CAT 1.1,2-Subscriber Line (Ded.)		19	0
CAT 2-Exch. Trunk (Joint Use)		20	0
CAT 2-Exch. Trunk (Ded. Use)		21	0
CAT 3-IX Trunk (Joint Use)		22	0
CAT 3-IX Trunk (Ded. Use)		23	0
CAT 4-Host/Remote Trunk		24	0
C&WF Other (Wideband)	(7)	25	0
Total C&WF		26	0
26XX Other Assets:			
Capital Leases		27	0
Leasehold Improvements		28	0
Intangibles		29	0
Total Other Assets		30	0
Total Telecom. Plant in Service		31	0