

ORDER NO. 99-541

ENTERED SEP 17 1999

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 113 (8)

In the Matter of the Supplemental Application of)
GTE Northwest Incorporated for Approval of) ORDER
Pricing Amendments to the Contract with GTE)
Data Services Incorporated, an Affiliated Interest.)
)

**DISPOSITION: SUPPLEMENTAL APPLICATION APPROVED WITH
CONDITIONS**

On July 16, 1999, the Commission received a supplemental application from GTE Northwest Incorporated (Company), filed pursuant to ORS 759.375 and ORS 759.390, requesting approval of pricing amendments to the contract with GTE Data Services Incorporated (GTEDS), an affiliated interest.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on September 7, 1999, the Commission adopted Staff's recommendation to approve the application with conditions. Staff's recommendation is attached as Appendix A and is incorporated by reference.

OPINION

Jurisdiction

ORS 759.005 defines a "telecommunications utility" as anyone providing telecommunications service to the public in Oregon. The Company is a telecommunications utility subject to the Commission's jurisdiction.

Affiliation

An affiliated interest relationship between GTE Northwest Incorporated and GTEDS exists under ORS 759.010.

Applicable Law

ORS 759.390 requires telecommunications utilities to seek approval of contracts with affiliated interests within 90 days of execution of the contract. The intent of the statute is to protect ratepayers from the abuses which may arise from less than arm's length transactions. *Portland General Electric Company*, UF 3739, Order No. 81-737 at 6. Failure to file within the 90-day time limit may preclude the utility from recovering costs incurred under the contract. *See* ORS 759.390.

ORS 759.390(3) requires the Commission to approve the contract if the Commission finds that the contract is fair and reasonable and not contrary to the public interest. However, the Commission need not determine the reasonableness of all the financial aspects of the contract for ratemaking purposes. The Commission may reserve that issue for a subsequent proceeding.

Ratepayers should not be harmed by approval of this application.

CONCLUSIONS

1. The Company is a telecommunications utility subject to the jurisdiction of the Commission.
2. An affiliated interest relationship exists between GTE Northwest Incorporated and GTEDS.
3. The agreement is fair, reasonable, and not contrary to the public interest.
4. The application should be granted.

ORDER

IT IS ORDERED that the application of GTE Northwest Incorporated for authority to engage in certain affiliated interest transactions with GTE Data Services Incorporated is granted, subject to conditions stated in Appendix A.

Made, entered, and effective _____.

BY THE COMMISSION:

Vikie Bailey-Goggins
Commission Secretary

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 of 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. A party may appeal this order pursuant to ORS 756.580.

Appendix

ITEM NO. CA 7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: SEPTEMBER 7, 1999**

REGULAR AGENDA__ CONSENT AGENDA X EFFECTIVE DATE _____

DATE: August 16, 1999

TO: Bill Warren through Marc Hellman and Mike Myers

FROM: Marion Anderson

SUBJECT: UI 113 (8) - GTE Northwest, Incorporated (GTE-NW) Supplemental Application for Approval of Pricing Amendments to the Contract with GTE Data Services Incorporated (GTEDS), an Affiliated Interest

SUMMARY RECOMMENDATION:

I recommend approval with conditions.

DISCUSSION:

GTE-NW and GTEDS are affiliated interests under ORS 759.010 in that GTE Corporation wholly owns both entities. GTEDS began providing data services to GTE-NW in 1971. This supplemental application is the annual contractual updating for pricing changes, deletion of obsolete computer applications and addition of computer applications for new services.

GTE-NW estimated \$13,736,672 in 1998 GTEDS billings at the total Oregon level. The actual billings for the year totaled \$11,233,267. 1999 billings are estimated at \$8,489,472.

PERTINENT ISSUES:

ORDER NO. 99-541

I have investigated the following issues to determine if the agreement is fair and reasonable, and not contrary to the public interest.

1. Scope of Services

There is a single deletion of GTEMail from the computer processing offerings and the addition of capacity resource to computer processing miscellaneous services. The final adjustment is a minor disclosure elimination to the other related services wording.

2. Transfer Pricing Methods and Cost Allocations

There are twelve computer processing rate decreases, and the aforementioned pricing deletion and addition.

3. Determination of Public Interest Compliance

This contractual arrangement continues to yield ratepayer benefit.

4. Records Availability, Audit Procedures and Reporting Requirements

I believe that detailed recommendation condition 1 affords the Commission adequate access to records and provides for the auditing of transactions between GTE-NW and GTEDS.

CONCLUSIONS:

Based on an investigation and review of this application, my conclusions are as follows:

1. GTE Northwest, Incorporated is a regulated telecommunications company subject to the jurisdiction of the Public Utility Commission of Oregon.
2. An affiliated interest relationship exists between GTE Northwest, Incorporated and GTE Data Services, Incorporated.
3. The application appears to be fair and reasonable and not contrary to the public interest.

DETAILED RECOMMENDATION:

Based on the preceding discussion and conclusions, I recommend that this supplemental application reflecting the pricing and application amendments to the existing contract between GTE Northwest, Incorporated and GTE Data Services, Incorporated be approved with the following conditions:

ORDER NO. 99-541

1. GTE Northwest, Incorporated shall provide Staff access to all books of account, as well as all documents, data and records of GTE Northwest, Incorporated and GTE Data Services, Incorporated that pertain to transactions between the two.
2. The Commission reserves the right to review for reasonableness all financial aspects of this arrangement in any rate proceeding or earnings review under an alternative form of regulation.
3. GTE Northwest, Incorporated shall notify the Commission in advance of any substantive changes to the agreement, including any material changes in any cost. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein shall be submitted for approval in an application for a supplemental order (or other appropriate format) in this docket.
4. Condition 4 of Order No. 97-340 (carried over to all orders from Order No. 91-1346 in this docket) remains in effect.

cc: Phil Nyegaard