

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

In the Matter of the Supplemental Application of )  
GTE Northwest Incorporated for Approval of a ) ORDER  
Services Agreement with GTE Communications )  
Corporation, an Affiliated Interest. )  
)

On November 19, 1999, the Commission received an application from GTE Northwest Incorporated (Company), filed pursuant to ORS 759.375 and ORS 759.390, requesting authority to engage in certain affiliated interest transactions. GTE Northwest Incorporated and GTE Communications Corporation (GTECC) are affiliated interests under ORS 759.010.

## OPINION

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.

An affiliated interest relationship exists under ORS 759.010.

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.
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 Communications Corporation is granted, subject to conditions stated in Appendix A.

Made, entered, and effective \_\_\_\_\_.

BY THE COMMISSION:

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**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.

ITEM NO. CA 1

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT**

**PUBLIC MEETING DATE: MAY 19, 2000**

**REGULAR AGENDA**\_\_\_ **CONSENT AGENDA** X **EFFECTIVE DATE**\_\_\_\_\_

**DATE:** May 2, 2000

**TO:** Bill Warren through Marc Hellman and Mike Myers

**FROM:** Marion Anderson

**SUBJECT:** UI 143 (3) - GTE Northwest, Inc., (GTE-NW) Supplemental Application for Approval of a Services Agreement with GTE Communications Corporation (GTECC), an Affiliated Interest

**SUMMARY RECOMMENDATION:**

I recommend approval with conditions.

**DISCUSSION:**

GTE-NW and GTE Communications Corporation (GTECC) are affiliated interests under ORS 759.010 in that GTE Corporation has 100% equity positions in these entities.

This supplemental application was filed on November 19, 1999 and the total Oregon annual cost is estimated at \$112,000.

**PERTINENT ISSUES:**

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  
“Under this Agreement, GTECC provides Primary Interexchange Carrier (PIC) information processing and management service. This service consists of tracking and activating an IntraLATA long distance order from the time it is taken by the sales channel until it is sent to the GTE Telephone Operating Company’s (GTOC) network vendor. This involves sending, receiving and tracking PIC information between sales channel, Customer Care System (CARE), National Order Referral Center (NOREC) and RPMS (Retain PIC Management System) for in franchise orders. PIC processing and management also consists of receiving changes and deactivates from CARE and taking appropriate action on the requested activity.”
2. Transfer Pricing Methods and Cost Allocations  
“The GTOCs will be charged for their portion of shared expenses relating to the PIC management services. The allocation to the GTOCs will be based on the number of PICs processed. All prices for goods and services reflected in the Agreement are prevailing prices.” The latter statement is in

accord with FCC policy. However, OAR 860-027-0052(3)(e) remains the controlling authority for Commission purposes.

May 2, 2000

Page 2

### **PERTINENT ISSUES: (continued)**

#### **3. Determination of Public Interest Compliance**

The governor signed House Bill 3241 on October 23, 1999, amending ORS 759.385 and 759.390, and repealing ORS 759.394. The amendments raised the minimum annual intrastate Oregon transactional level for required telecommunications utilities contractual reviews by the Commission to \$100,000. The repeal covered a required lesser submission.

Reviews of recent affiliated interest reports showed the following forward transactions intrastate Oregon totals with respect to this docket (opened with GTE Telecom, Inc.):

<u>Year</u>	<u>GTE Telecom, Inc.</u>	<u>GTE Communications Corporation</u>
1994	17,366	422
1995	222,122	10,416
1996	7,471	0
1997	34,480	0
1998	22,994	0

The original application filed in 1994 and approved by Order No. 95-272, posited transactional growth that would make the contract subject to ORS 759.390. 1995 was the only year of material transactions. This service addition, after reduction of the estimate to an intrastate Oregon figure and addition to the aforementioned 1998 figure would be just above the \$100,000 threshold. Given these circumstances with respect to the requirement of OAR 860-027-0040(2)(j), I am willing to accept the company's postulation with respect to ratepayer detriment as follows: "Prior to this Agreement, the RPMS functions were performed within GTE Telephones Operations. At the time of this Agreement, the employees and job functions were transferred to GTECC. Since the systems, procedures and employees who were performing the job functions were already in place, GTE Telephone Operations did not deem it viable to change the process and seek other vendors."

#### **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 Northwest Inc., and GTE Communications Corporation.

### **CONCLUSIONS:**

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

ORDER NO.00-294

1. GTE Northwest Inc., 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, Inc., GTE Telecom, Inc., and GTE Communications Corporation.
3. The application appears to be fair and reasonable and not contrary to the public interest.

May 2, 2000  
Page 3

**DETAILED RECOMMENDATION:**

Based on the preceding discussion and conclusions, I recommend that the supplemental application presenting the amendment to the agreement between GTE Northwest, Inc., and GTE Communications Corporation be approved with the following conditions:

1. GTE Northwest, Inc., shall provide the Commission access to all books of account, as well as all documents, data and records of GTE Northwest, Inc., and GTE Communications Corporation 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, Inc., 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.

UI 143 (3)