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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 143 (4)

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

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On March 3, 2000, the Commission received an application from GTE Northwest Incorporated (Company), filed pursuant to ORS 759.375 and ORS 759.390, requesting authority to extend the agreement approved by Order No. 99-261 to March 1, 2001. GTE Northwest Incorporated and GTE Communications Corporation (GTECC) are affiliated interests under ORS 759.010.

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 May 19, 2000, 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 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.
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:

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

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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.

**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 (4) - GTE Northwest, Inc., (GTE-NW) Supplemental Application for Approval of an Amendment to the 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 filing was made on March 3, 2000 and extends the agreement approved by Order No. 99-261 from the current expiration date of February 29, 2000 to March 1, 2001.

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
2. Transfer Pricing Methods and Cost Allocations
3. Determination of Public Interest Compliance
This extension does not impact the Commission approval previously conferred.
4. Records Availability, Audit Procedures and Reporting Requirements

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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.

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CONCLUSIONS:

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

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.

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 Telecom, Inc., recognizing the transfer of associated assets and functions to 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.

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