

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 2, 2010**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE** \_\_\_\_\_  N/A

**DATE:** January 21, 2010

**TO:** Public Utility Commission

**FROM:** David Sloan

**THROUGH:** Lee Sparling, Bryan Conway, and Irv Emmons

**SUBJECT:** VERIZON NORTHWEST INC: (Advice No. SC09-08) Establishes special contract arrangements between Verizon and a confidential customer.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission take no action with regard to this filing. Pursuant to ORS 759.250(5), if the Commission does not act within 90 days of the filing, the special contract is deemed approved.

**DISCUSSION:**

Verizon Northwest Inc. (Verizon) filed Advice No. SC09-08 on November 5, 2009. Pursuant to ORS 759.250, the Commission has 90 days from the date of filing to terminate the effectiveness of a special contract.

The filing is a special contract between Verizon and a confidential customer for the provision of 211 Dialing Service (Service). The Service, which is not offered in the company's tariff, utilizes a three digit local dialing arrangement to permit voice access to non-emergency and social service agencies. The Federal Communications Commission assigned the 211 code for non-emergency and social service agencies in its Order 00-256, issued in CC Docket 92-105.

In July 2005, the Oregon Legislature passed House Bill 3443 directing the Office of Emergency Management to enter into a contract with a 211 system facilitator to design, implement and support a statewide 211 system. House Bill 3443 says in pertinent part: "The implementation of a single, easy-to-use telephone number, 2-1-1, will benefit the residents of this state by providing easier access to available health and human services and services after an emergency, by reducing inefficiencies in connecting

people with desired service providers and by reducing duplication of efforts. An integrated statewide system of local information and referral service providers will build upon an already existing network of experienced service providers without the necessity of creating a new agency or department.”

The filing continues the Service currently provided through previously filed special contract SC06-01, reviewed by the Commission at its June 13, 2006 public meeting. The filing continues the Service to the confidential customer for a minimum of 36 months and a maximum of 60 months. However, since with the extension the contract would exceed the 5-year statutory limitation, it is filed as a new contract pursuant to ORS 759.250(7). The filing will result in a minimal increase in net annual revenues.

The contract rates for the service are:

	<u>Monthly Unit Rate</u>	<u>Non-recurring Charge</u>
<b>211 Routing Service Only</b>		
Service Establishment with Basic 211 for Advanced Intelligent Network (AIN) and Non- AIN Host Complex Offices	\$ 0	\$1,500.00
Establish 211 Service per Central Office (CO)	\$ 0	\$ 10.61
Central Office Programming per CO Switch	\$ 0	\$ 146.69
Change Point to Number per 211 Service Number	\$ 0	\$ 21.49

Note: The Establishment Charges only apply to new services.

**Monthly Call Routing – Basic Routing**

211 Basic Routing – First 8,000 Calls Per Month	\$31.29	n/a
211 Basic Routing – per call over 8,000 Per Month	\$0.0039	n/a

**ORS 759.250 and Staff Procedures for Reviewing Special Contracts:** ORS 759.250 allows telecommunications utilities to enter into special contracts with customers without being subject to standard tariff filing procedures under ORS 759.175. In addition, special contracts are not subject to hearings (ORS 759.180) or suspension (ORS 759.185).

ORS 759.250 outlines the requirements for Commission approval of telecommunications special contracts. First, the contract service must have limited availability, respond to a unique customer requirement, or be subject to competition. Second, prices must exceed the long-run incremental cost of providing the service.

Telecommunications utilities are required to file special contracts no later than 90 days following the effective date of the contract. Contracts must not exceed five years. Furthermore, the law states that the Commission shall issue an order on the filed contract within 90 days of the filing. If the Commission does not act within 90 days of the filing, the contract is deemed approved.

Staff understands that if a telecommunications utility does not proffer sufficient evidence to support the contract under ORS 759.250, the staff may recommend that the Commission reject the contract.

Two areas of importance in assessing special contracts were identified in PUC Order No. 92-651 in docket UM 254, a generic docket to consider procedures and guidelines for special contract filings. These are the reasonableness of the contract rates and discrimination. Statutes that address these areas are ORS 759.210, classification of service and rates, and ORS 759.260, unjust discrimination.

Staff's analysis regarding conformance with ORS 759.210 is twofold. First, staff determines if a special contract rate class is developed by the telecommunications utility for one or more of the following reasons: a) the quantity of the contract service used; b) the time the service is used; c) the purpose for which the contract service is used; d) whether price competition or a service alternative exists; e) the contract service being provided; f) the conditions of contract service; or g) other reasonable considerations. Second, staff determines if the special contract results in revenue sufficient to ensure just and reasonable rates for the remaining customers (a "prudency review").

To determine conformance with ORS 759.260, staff determines if the special contract avoids unjust discrimination. This is basically a judgment call, which depends on the outcome of the analyses discussed in the preceding paragraph. ORS 759.250 does not restrict the Commission from subsequent scrutiny of the reasonableness of special contracts for ratemaking purposes under ORS 759.210 and ORS 759.260.

**Conclusions:** Staff has investigated the filing. Staff concludes that the contract for provision of 211 Dialing Service is timely filed and the contract responds to a unique customer requirement. The contract rates exceed the long-run incremental cost of providing the services to the customer. Other customers are adequately protected from loss should the customer terminate the contract early. The contract service is available to other similarly situated customers at the same prices stated in the contract. Based upon the special contracts guidelines adopted by the Commission in Order No. 92-651 in Docket No. UM 254, staff finds that this contract for the provision of 211 Dialing Service does not raise issues concerning the reasonableness of rates or unjust discrimination.

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**PROPOSED COMMISSION MOTION:**

The Commission take no action with regard to this filing. Pursuant to ORS 759.250(5), if the Commission does not act within 90 days of the filing the special contract is deemed approved.