

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 18, 2012**

REGULAR  CONSENT  EFFECTIVE DATE  NA

**DATE:** December 5, 2012

**TO:** Public Utility Commission

**FROM:** Jim Stanage and Bruce Hellebuyck

**THROUGH:** Jason Eisdorfer, Bryan Conway, and Irv Emmons

**SUBJECT:** QWEST CORPORATION: (Advice Nos. C32-2012, C33-2012, C37-2012, C39-2012, C40-2012, C42-2012, C43-2012, C46-2012, and C47-2012) Establishes Special Contracts submitted pursuant to ORS 759.250(5).

**STAFF RECOMMENDATION:**

Staff recommends that the Commission take no action with regard to these filings. If the Commission does not act within ninety (90) days of the filings, the respective special contracts are deemed approved.

**DISCUSSION:**

**Advice No. C32-2012**

Qwest Corporation d/b/a CenturyLink QC (Qwest) proposes to establish a thirty-six month special contract with a confidential customer for Integrated Services Digital Network Primary Rate Service (ISDN-PRS). The ISDN-PRS is being provided under the contract at a monthly rate of \$435.00 per unit, which represents a 30 percent discount off the regularly tariffed rate of \$625.00.

**Advice No. C33-2012**

Qwest proposes to establish a thirty-six month special contract with a confidential customer for Metro Optical Ethernet Service, 30 Bandwidth Profile. The MOE is being provided under the contract at a monthly rate of \$703.12 per unit, which represents a 20 percent discount off the regularly tariffed rate of \$878.90.

**Advice No. C37-2012**

Qwest proposes to establish a thirty-six month, discount arrangement with a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of \$420.00 per unit, which represents a 33 percent discount off the regularly tariffed rate of \$625.00.

**Advice No. C39-2012**

Qwest proposes to establish a twenty-four month, discount special contract with a confidential customer for ISDN-PRS. The contract provides for ISDN-PRS service at a contracted rate of \$630.00 per month, which represents a 13 percent discount off the regular tariff rate of \$725.00.

**Advice No. C40-2012**

Qwest proposes to establish a twenty-four month, volume discount arrangement between Qwest and a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract to two different locations at monthly rates of \$400.00 and \$550.00 per unit, respectively, which represent discounts of 45 percent and 24 percent, respectively, off the regularly tariffed rate of \$725.00. The slightly higher rate is for service to an area in which there is less competition.

**Advice No. C42-2012**

Qwest proposes to establish a thirty-six month, volume discount arrangement between Qwest and a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at three locations for a monthly rate of \$450.00. However, the service is also being provided at a fourth location for the first twelve months of the thirty-six month term for a monthly rate of \$485.00. The contract rates represent discounts of 28 percent and 37 percent, respectively, off the regular respective tariffed rates of \$625.00 and \$775.00.

**Advice No. C43-2012**

Qwest proposes to establish an eighteen month special contract with a confidential customer for the CenturyLink Line Volume Plan, including these services: One-party Flat Rate Business (1FB) Lines with Hunting, Choice Business, Choice Business Plus, Add-A-Line, and Choice Business Prime. The special contract rates represent discounts from the regular monthly tariff rates of 36 percent to 51 percent.

**Advice No. C46-2012**

Qwest proposes to establish a thirty-six month, discount arrangement between Qwest and a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of \$555.00 per unit, which represents an 11 percent discount off the regularly tariffed rate of \$625.00.

**Advice No. C47-2012**

Qwest proposes to establish a thirty-six month, discount arrangement between Qwest and a confidential customer for ISDN-PRS. The ISDN-PRS is being provided under the contract at a monthly rate of \$472.00 per unit, which represents a 24 percent discount off the regularly tariffed rate of \$625.00.

**Review Procedures**

Although the form of regulation that applies to Qwest changed November 12, 2008, pursuant to ORS 759.255 and the regulatory plan allowed by the Commission under Order No. 08-408 (UM 1354), its services offered through special contracts remain fully regulated. Thus, Qwest special contracts for its regulated services are still subject to ORS 759.250. This statute allows telecommunications utilities to enter into special contracts with customers without being subject to standard tariff filing procedures under ORS 759.175. In addition, these contracts are not subject to hearings (ORS 759.180) or suspension (ORS 759.185).

ORS 759.250 outlines the requirements for approval of telecommunications special contracts, which are as follows:

1. The contract service must be a new service with limited availability, respond to a unique customer requirement, or be subject to competition.
2. Prices must exceed the long-run incremental cost (LRIC) of providing the service.
3. 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, and ORS 759.250 does not permit automatic contract renewals.
4. 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 provide 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 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 purpose for which the contract service is used; c) whether price competition or a service alternative exists; d) the contract service being provided; e) the conditions of contract service; or f) other reasonable considerations. Second, staff determines if the special contract results in revenue sufficient to ensure just and reasonable rates for remaining customers (i.e., a "prudency review").

To determine conformance with ORS 759.260, staff determines if the special contract avoids unjust discrimination and is dependent upon the outcome of the analyses outlined above. The statute does not restrict the Commission from subsequent scrutiny of the reasonableness of special contracts for ratemaking purposes.

The company submitted financial analyses that show the proposed rates cover the company's estimated LRIC for the contract service(s).

## **Conclusions**

Staff has investigated these filings and finds that they comply with Order No. 92-651 (UM 254) and the memorandum of understanding between staff and the company referenced in the order, the contracted services are subject to competition, the contract prices cover the company's cost for each respective service, and the company would offer the discounted contract prices to any similarly situated customer requesting them.

## **PROPOSED COMMISSION MOTION:**

The Commission take no action with regard to these filings. Pursuant to ORS 759.250, if the Commission does not act within 90 days of the filings, these special contracts are deemed approved.