

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 11, 2008**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** March 12, 2008

DATE: February 28, 2008

TO: Public Utility Commission

FROM: Jim Stanage

THROUGH: Lee Sparling, Dave Booth, and Dave Sloan

SUBJECT: QWEST CORPORATION: (Advice No. 2063) Establishes certain business packages for Rate Group 3.

STAFF RECOMMENDATION:

Staff recommends that the filing be allowed to go into effect.

DISCUSSION:

Qwest Corporation (Qwest) proposes to establish certain packages that previously were not available to Rate Group 3 customers. The packages being added include Utility Line, Business Line Plus, Line Volume Advantage, Purchase Plus Reward, and the Business Line Volume Purchase Plan, which is grandfathered. Each of the packages that are proposed for Rate Group 3 customers includes a One-party Flat Rate Business (1FB) access line as well as custom calling features.

Under Oregon Revised Statute (ORS) 759.190, telecommunications utilities are required to submit tariff filings to the Commission whenever they intend to change their rates, terms, or conditions of service. This filing was submitted on February 8, 2008, and thus, complies with the statute, which requires tariff filings to be made at least thirty days prior to their effective date.

The monthly rates for all of the service packages, except Utility Line and Business Line Plus, are the same for all three rate groups and require subscription to at least 50 lines under at least a two-year term agreement. The monthly rates for the Utility Line and Business Line Plus packages are higher in Rate Group 3 than in Rate Groups 1 and 2, but the rate differences are similar to the difference between the 1FB rates in Rate Group 3 compared to Rate Groups 1 and 2. Only about one percent of Qwest's

business access lines are located in Rate Group 3 service areas, and thus, the opportunities for the company to obtain subscriptions to these business service packages would be limited.

One-party Flat Rate Business access lines are a "basic service" under Oregon Administrative Rule (OAR) 860-32-0190, which states that "(3) The following are classified as basic telephone service, whether sold separately or in a package:...(b) Business single party flat rate local exchange service, also known as "simple" business service...(f) Multiline or "complex" business service....." Each of the proposed packages also includes *non-basic services*,¹ composed of one or more custom calling features.

Because 1FB service is a basic service as defined by the rule, the requirements of Oregon Revised Statutes (ORS) 759.410 (4) and (6) would apply to these services. In its relevant part, ORS 759.410 (4) states: "Basic telephone service shall not be subject to a price floor."

The requirements for service packages are stated in ORS 759.410 (6) and specify that the packaging of any retail telecommunications service with any other services at any price is permissible provided that the following conditions apply:

- a. Any regulated telecommunications service in a package may be purchased separately.
- b. The price of the package is not less than the sum of the price floors of each regulated service included in the package.
- c. The price of a package that is comprised entirely of regulated services does not exceed the sum of the maximum prices for each of the services.
- d. The price of a package comprised of regulated and unregulated services does not exceed the sum of the maximum prices for the regulated services and the retail price charged by the carrier for the individual unregulated services in the package.

The proposed packages comply with the requirements specified in the statute.

The costs of service are covered for the packages in this filing because the total price of the packages exceed the established costs of the non-basic services in the packages--- i.e., the basic services in the packages do not have price floors under ORS 759.410 (4),

¹ That is, they are not included among services that are "basic services."

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and therefore, the only legally applicable costs are represented by each packages' features. Nevertheless, the economic costs of the packages proposed for Rate Group 3 would also be covered by the proposed prices---even if those economic costs did legally apply to all elements of each package.

I conclude that the filing of Qwest's proposed tariff is timely and that the proposed rates, terms, and conditions of service are not contrary to the public interest.

PROPOSED COMMISSION MOTION:

Qwest Advice No. 2063 be allowed to go into effect.