

Agenda Date: June 28, 2006
Item Number: A3

Docket: UT-060723
Company Name: Qwest Corporation

Staff: Paula Strain, Telecommunications Expert
Betty Erdahl, Telecommunications Analyst

Recommendation

Grant the petition filed by Qwest Corporation to be relieved of its designated carrier obligation for private line services, and allow Qwest Corporation to begin transitioning to the multiple bill multiple tariff (MBMT) environment in the areas served by CenturyTel of Washington, Inc., CenturyTel of Inter-Island, Inc., and CenturyTel of Cowiche, Inc. (collectively, "CenturyTel") with an implementation date no sooner than August 1, 2006.

Background:

The Qwest private line service¹ is a residual arrangement from the divestiture of AT&T in 1984. At that time, the regional Bell operating company provided all inter-exchange services (long-distance and private line) for the smaller independent companies. This role is often described as the "designated carrier." Under this arrangement, Qwest bills the private line customer at its tariff rate for the entire circuit. For the portion of the circuit in the small company's exchange, the small company bills Qwest at the small company's tariff rate. Qwest's rate is typically less than the small company's rate, so Qwest loses money on the resale of the small company's portion of the circuit.²

The UTC in 1999 allowed Qwest (then U S WEST) to stop providing toll services in independent company areas. The UTC did not approve exit from private line service then, because the billing records between Qwest and the independent LECs were in disarray. In 2005 the UTC approved Qwest's exit from the private line business in all independent company exchanges except Century Tel.³

Customer Notice and Customer Comments

1 A "private line" is a telecommunications circuit that is not connected to the switched telephone network. Customers use private lines to send data between computers, to connect to the Internet, to connect remote locations to a private phone switch (PBX), and for other purposes.

2 We say "typically" because there is an exception to virtually any general statement comparing private line rates. There are multiple speeds, types of service, and features within the universe of private line service, and the relationships among these elements is not uniform across the industry

3 Dockets UT-051218, UT-051726 and UT-051727.

Qwest notified 230 affected customers on May 4, 2006. No customers have commented to the commission.

Discussion

Staff believes that the petition should be granted. While Qwest should have the option to provide private line service anywhere, the specific obligation to do so outside its exchange areas is no longer appropriate. The obligation is simply a subsidy mechanism to transfer money from Qwest to CenturyTel, and it is an artifact of an earlier era when the regional Bell operating companies were required to provide toll and private line services for the benefit of independent local exchange companies. The commission has recognized this in relieving Qwest's obligation in every other independent company's service area.

If the Commission grants Qwest's petition and the company then stops providing service in the CenturyTel exchange areas, the change would likely affect the rates paid by customers, but it would not disrupt the service itself. CenturyTel is already providing the portion of each circuit that is within its geographic service area, and it would continue to do so. CenturyTel would bill customers for its portion of the circuit instead of billing Qwest.

Relationship of this Petition to CenturyTel Filing

At the time Qwest petitioned to exit the private line market, CenturyTel filed a new private line tariff (WN U-7) that offered significantly lower rates than CenturyTel's existing private line tariff (WN U-4). CenturyTel proposed to offer the new rates only to customers who were directly affected by Qwest's withdrawal. Staff has expressed to the company its concern that the company's proposal would result in undue discrimination among customers and that the existing rates in WN U-4 may be excessive. Due to these issues, CenturyTel postponed and later withdrew its proposal.

At the June 14 open meeting, staff recommended that the commission approve Qwest's petition even though there are unresolved issues concerning CenturyTel's private line rates. The commissioners discussed the concern that, without a decision on CenturyTel's rates, it was difficult to assess the effect of Qwest's petition on customers. At that time, CenturyTel had postponed but not withdrawn its tariff filing, and Qwest agreed to postpone consideration of its petition until the June 28 open meeting. CenturyTel withdrew its tariff filing on June 20.

Staff shares the concern that underlies the desire to resolve the CenturyTel rate issues before requiring customers to pay those rates. CenturyTel's private line rates – both existing and proposed – may be unreasonable. However, Staff believes that the best way to address this concern is not to require Qwest to continue paying these potentially unreasonable rates by delaying approval of its petition. The better approach is to address CenturyTel's rates directly,

through a complaint and investigation if necessary. If CenturyTel's rates are excessive or discriminatory, then those rates should be corrected, whether the customer is Qwest or an end user.

CenturyTel has told staff that it intends to file a new private line tariff proposal in mid-July. If that tariff resolves the rate issues to the satisfaction of the commission, it can approve those rates in time to be effective when Qwest exits. If the filing does not resolve the issues or if CenturyTel does not make a filing, the commission would have the option of initiating a formal complaint. In this case CenturyTel would be allowed to charge its preferred rates, but the commission could require a refund if it later ordered CenturyTel to charge lower rates.

Conclusion:

Qwest should be relieved of its designated carrier obligation for private line service in the three CenturyTel serving areas named in its petition. The Commission should grant Qwest's petition.