

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 10, 2001

REGULAR AGENDA _____ **CONSENT AGENDA** X **EFFECTIVE DATE** July 20, 2001

DATE: July 2, 2001

TO: Phil Nyegaard

FROM: Cynthia Van Landuyt

SUBJECT: Oregon Exchange Carrier Association, Advice Nos. 76 and 77.

SUMMARY RECOMMENDATION:

Staff recommends the Commission allow the June 28 and 29, 2001, revised filings, effective July 20, 2001, to go into effect.

DISCUSSION:

On March 15, 2001, the Oregon Exchange Carrier Association (OECA) filed Advice No. 76 in its Intrastate Carrier Common Line tariff and Advice No. 77 in its Intrastate Access tariff to be effective July 1, 2001. On May 11, 2001, OECA filed to extend the effective date to July 20, 2001 to accommodate implementation of a new access billing method. Advice Nos. 76 and 77 revise the Carrier Common Line (CCL), Traffic Sensitive and Oregon Customer Access Fund (OCAF) rates to reflect cost and demand at estimated 2001 levels and changes to IntraLATA access minutes resulting from implementation of the Data Distribution Center (DDC). In addition, Advice No. 77 revises the Special Access Channel Termination and Transport rates, and the Bill Processing billing and collection rate to reflect special access and billing and collection cost and demand at estimated 2001 levels. It also introduces company specific Special Access and Billing and Collection rates for four OCAF participant LECs.

TARIFF FILINGS

The Commission, in Docket UM 384, issued Order 93-1133 which adopted the 1994 Oregon Customer Access Plan (OCAP).¹ Under the plan, the Local Exchange Carriers (LECs) charge a basic billing rate of 5 cents per access minute to Interexchange Carriers (IXCs or Long Distance Carriers) to originate and/or terminate toll calls to the LECs' end user customer. This 5-cent rate is a composite rate made up of three access elements: Carrier Common Line, Local Switching, and Local Transport. The revenues derived from the 5-cent rate do not recover the participating ILEC's intrastate access revenue requirement and a shortfall results. This shortfall or unrecovered revenue requirement is pooled under the plan and recovered through the Oregon Customer Access Fund (OCAF) rate. This rate is applied to all terminating-rated CCL minutes.

¹ The Commission extended the OCAP indefinitely awaiting final resolution of the Federal Communications Commission's (FCC) Universal Service and Access Charge Reform dockets relating to rural Incumbent Local Exchange Carriers (ILECs).

Advice Nos. 76 and 77 were revised on June 28 and 29, 2001, to reflect the following:

1. Changes to 2001 cost and demand estimates agreed to by the companies and staff following staff's review of the detailed workpapers supporting the filing. The review included an analysis of the proposed budget, demand forecast, jurisdictional separations factors and allocation of costs to unregulated operations for each of the participating ILECs.
2. Changes to company-specific rate additives² for Canby Telephone Association, Clear Creek Mutual Telephone, Colton Telephone, Eagle Telephone Systems, Inc., Helix Telephone, Home Telephone, Molalla Telephone Company, Monitor Cooperative Telephone, Monroe Telephone Company, Nehalem Telephone and Telegraph, North State Telephone, Pine Telephone Systems, Inc., Pioneer Telephone Cooperative, Roome Telecommunications, Inc., and Scio Mutual Telephone Association.

Data Distribution Center (DDC)

The Commission issued Order No. 99-198 (March 12, 1999) in docket UT 142. The order adopted a stipulation submitted by the Primary Toll Carriers (PTCs) (Qwest, Verizon and Sprint/United) agreeing to implement a Data Distribution Center (DDC) in Oregon. The DDC would receive and process originating IntraLATA³ toll/access records, identify the PTC and distribute the records to the transiting and terminating LECs so that the LEC can accurately bill access charges.

Prior to the DDC, the PTCs were billed access charges based on terminating to originating minute ratios. The LEC can measure the number of originating toll minutes and identify the jurisdiction of the call, i.e. intrastate or interstate, but it is unable to do the same for terminating minutes. These ratios were updated annually based on a sample study of traffic. With the DDC, the LEC will bill the PTCs based on actual monthly minute of use data.

ACCESS CHARGE ELEMENTS

The revenue impact for each of the access elements and associated proposed rates, as revised, will be discussed separately.

Carrier Common Line

All Carrier Common Line (CCL) rates increase as shown on Attachment 1, lines 1 through 4. The revenue impact is an increase of \$30,482 (Attachment 1, line 5) in charges to interexchange carriers for 2001.

² Any LEC having increases in its intrastate switched access revenue requirement which exceeds the percentage growth of its intrastate traffic sensitive access minutes from the prior year, or 10% whichever is less may not include those costs in the OCAF pool but may file a rate additive to recover such amounts.

³ Asotin Telephone Company's service area is in the Spokane LATA. Midvale Telephone Exchange, Oregon-Idaho Telephone and Malheur Home's service areas are in the Boise LATA. These companies are not required to participate in the DDC.

Traffic Sensitive

The Local Switching rate increases as shown on Attachment 1, line 6. The revenue impact is an increase of \$310,003 in charges to interexchange carriers for 2001. The Transport rate decreases, as shown on Attachment 1, line 7, resulting in a decrease of \$423,025 in charges to interexchange carriers for 2001.

OCAF

The 2001 OCAF revenue requirement is \$5,736,357. This amount represents the shortfall after billing the 5-cent composite rate as discussed above. This translates to a rate of \$0.00394 per terminating-rated CCL minute which represents a decrease of \$0.00017 from the current rate of \$0.004111. See Attachment 1, line 9.

The revenue impact is a decrease of \$247,508 in charges to interexchange carriers. See Attachment 1, line 9. The combined effect of the CCL, Traffic Sensitive, and OCAF rate changes is a decrease of \$330,048 in charges to interexchange carriers. See Attachment 1, line 10.

This filing also reflects the continuing effects of intrastate access minute erosion due to the increased use of cellular phones⁴ and the Internet. Intrastate switched access minutes decreased 8.8 per cent over the previous filing in October 2000.

Special Access

The Special Access rates filed in the OECA PUC OR No. 2 tariff represent a composite rate for the small telephone companies participating in the optional Special Access and Billing and Collection (B&C) pools. In the previous five years, the pooled Special Access rates were held constant. The revenues from these rates did not cover the pooled special access revenue requirement. The shortfall was recovered through the billing and collection rate. In this filing, OECA eliminates this recovery through B&C rates and proposes setting special access rates to recover all of the 2001 special access revenue requirement. Staff supports this concept which recovers costs from the cost causer.

This filing increases special access rates by 36 percent. See Attachment 2, lines 1 through 17. The increase is significant for two reasons. First the amount of special access revenue requirement collected through the B&C rates increased approximately 25 percent in the five year period when rates remained constant. Second, four lower-cost companies have opted out of the Special Access pool and filed company specific rates.

Staff notes the filed pool rates for Voice Grade (2-wire and 4-wire) service are comparable to the proposed rates for Rate Group 3 (rural wire centers) in Qwest's UT 125 rate design docket.

⁴ Cellular minutes are not included in the access minute forecast.

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Billing and Collection

The Billing and Collection (B&C) Rating Service rate is unchanged, while Bill Processing increases by \$0.0430. See Attachment 2, lines 19 and 20. Although this filing removes the special access revenue requirement recovery through B&C rates, other factors contribute to the increase in the rate. First, four lower-cost companies have opted out of the B&C pool and filed company specific rates. Second, the B&C rates are charged on a per message basis. The message forecast in this filing also reflects the erosion effects discussed above regarding cellular phone and Internet use.

STAFF RECOMMENDATION:

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