

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 11, 2003**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** October 1, 2003

DATE: August 26, 2003

TO: John Savage

FROM: John Wright through Dave Booth through Phil Nyegaard

SUBJECT: FEDERAL UNIVERSAL SERVICE FUND: (Docket UM 873) Annual certification for continued eligibility to receive federal universal service support for rural local exchange carriers pursuant to FCC Order No. 01-157 and CFR 54.314

STAFF RECOMMENDATION:

Staff recommends that the Commission certify the rural telecommunications carriers listed in Exhibit A to this report as eligible to receive high-cost support from the federal Universal Service Fund (USF).

DISCUSSION:

Section 214(e)(2) of the Telecommunications Act of 1996 (the Act), delegates to State Commissions authority to designate eligible carriers to receive federal USF support. To qualify for federal USF support a carrier shall, throughout the service area for which designation is received:

- A. Offer the services that are supported by the federal USF mechanisms either using its own facilities or a combination of its own facilities and resale of another carrier's service; and
- B. Advertise the availability of such services and the charges using a media of general distribution. (Section 214(e)(1) of the Act).

Based on compliance with these federal requirements, the Commission, at its December 2, 1997, Public Meeting, designated 34 rural and non-rural incumbent telecommunications service providers as eligible for federal USF support. See Order No. 97-481, Docket UM 873.

On May 23, 2001, the FCC released Order No. FCC 01-157. The order adopted certain changes in the cost methodology used by eligible rural telecommunications carriers to

compute the level of USF support.¹ Importantly, the order also required that states now file annual certifications with the FCC certifying the use of federal universal service funds consistent with Section 254(e) of the Act. Section 254(e) states that a carrier that receives USF support shall use that support only for the provision, maintenance and upgrading of facilities and services for which the support is intended. The FCC adds that the support is intended to enable reasonable comparability of rates between urban and rural areas. See FCC Order 01-157, Paragraph 187.

In order for rural telecommunications carriers to continue to receive federal support, the FCC requires that states recertify eligibility annually to the FCC and the Universal Service Administrative Company (USAC) by October 1, of each year for the succeeding year. See FCC Order 01-157, Paragraph 192, and CFR 54.314.

In compliance with the federal requirements, the Commission certified the eligibility of Oregon's rural local exchange companies at public meetings in 2001 and 2002. See PUC Orders 01-819 and 02-605. Staff seeks the Commission to once again certify eligibility for 2003.

On July 16, 2003, Staff requested that each eligible rural telecommunications carrier submit to the Commission a sworn affidavit attesting to the use of federal USF support in compliance with the FCC rule. A sample copy of the affidavit is attached in Exhibit B. Each of the companies listed in Exhibit A responded with a signed and notarized affidavit. The affidavits will be added to the docket record. Based on the affidavits and because the continued receipt of federal USF support is vital to maintaining reasonable rural telephone rates,² Staff recommends the Commission certify the eligibility of the rural telecommunications carriers listed in Exhibit A.

¹ For rural telephone companies, the FCC offers five high-cost USF programs: high-cost loop support, local switching support, long-term support, interstate access support, and interstate common line support. Based on annualized first quarter 2003 support payments, these five programs will provide over \$3.3 billion in USF support to over 1,300 rural carriers in 2003. Based on the same data, Oregon's 31 rural local exchange carriers will receive about \$52.1 million from all federal high-cost USF support programs in 2003.

² On a per line per month basis, federal support for Oregon's rural telecommunications carriers will average \$16.36. For five rural carriers, federal support is over \$100 per line per month.

PROPOSED COMMISSION MOTION:

An order be prepared certifying the continued eligibility for federal universal service support for the rural telecommunications carriers listed in Exhibit A to this report

Attachments

Exhibit A Rural Telecommunications Carriers Certifying Use of Federal USF Funds
Exhibit B Affidavit Used to Certify the Use of Federal USF Funds

Exhibit A
Eligible Rural Telecommunications Carriers of Oregon
Affidavits Certifying to the Use of Federal Universal Service Funds

<u>Company Name</u>	<u>Study Area Code</u>
1. Asotin Telephone Co.	532404
2. Beaver Creek Cooperative Telephone Co.	532359
3. Canby Telephone Assn.	532362
4. Cascade Utilities, Inc.	532371
5. CenturyTel of Oregon, Inc.	532361
6. CenturyTel of Eastern Oregon, Inc.	532361
7. Citizens Telephone Co. of Oregon, Inc.	533401
8. Clear Creek Mutual Telephone Co.	532363
9. Colton Telephone	532364
10. Eagle Telephone System	532369
11. Gervais Telephone Co.	532373
12. Helix Telephone Co.	532376
13. Home Telephone Co.	532377
14. Malheur Home Telephone Co.	532456
15. Midvale Telephone Exchange Inc.	532226
16. Molalla Communications Co.	532383
17. Monitor Cooperative Telephone Co.	532384
18. Monroe Telephone Co.	532385
19. Mt. Angel Telephone Co.	532386
20. Nehalem Telephone & Telegraph Co.	532387
21. North-State Telephone Co.	532388
22. Oregon-Idaho Utilities, Inc.	532390
23. Oregon Telephone Corp.	532389
24. People's Telephone Co.	532391

Exhibit A (Continued)
Eligible Rural Telecommunications Carriers of Oregon
Affidavits Certifying to the Use of Federal Universal Service Funds

<u>Company Name</u>	<u>Study Area Code</u>
25. Pine Telephone System, Inc.	532392
26. Pioneer Telephone Cooperative	532393
27. Roome Telecommunications, Inc.	532375
28. Scio Mutual Telephone Assn.	532397
29. Stayton Cooperative Telephone Co.	532399
30. United Telephone Co. of the Northwest	532400
31. St. Paul Cooperative Telephone Assn.	532396
32. Trans-Cascades Telephone Co.	532378

Exhibit B
AFFIDAVIT CERTIFYING USE OF
UNIVERSAL SERVICE FUNDS

I, _____, being of lawful age and duly sworn, on my oath state that I am the _____ [an officer] of _____ ("Company") and that I am authorized to execute this Affidavit on behalf of the Company and the facts set forth in this Affidavit are true to the best of my knowledge, information and belief. Pursuant to the rules of the Federal Communications Commission, 47 C.F.R. §54.314, there must be an annual certification that funds received under the federal Universal Service Fund programs will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended. The Company hereby certifies to the Oregon Public Utility Commission that pursuant to 47 C.F.R. §54.7 and for purposes of the Oregon Public Utility Commission certification required under 47 C.F.R. §54.314, the Company will use all federal high-cost support provided to it only for the provision, maintenance and upgrading of facilities and services for which the support is intended consistent with the principles of universal service set forth in 47 USC 254. This includes, but is not limited to, trying to meet the goal of the provision of services that are properly supported by the high-cost funds at rates that are reasonably comparable to rates charged for similar services in urban areas.

DATED this ___ day of _____, 2003.

_____(Company)

By: _____

Its: _____

SUBSCRIBED AND SWORN to before me this _____ day of _____, 2003.

Notary Public in and for the
State of Oregon.
My Commission Expires: _____