

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 23, 2003**

REGULAR X **CONSENT** **EFFECTIVE DATE** November 1, 2003

DATE: September 16, 2003

TO: Lee Sparling through Phil Nyegaard

FROM: Cynthia Van Landuyt

SUBJECT: OREGON EXCHANGE CARRIER ASSOCIATION: (Advice No. 84)
Updates the carrier common line charge to reflect Oregon Universal Service Fund credits against the cost of carrier access.
OREGON EXCHANGE CARRIER ASSOCIATION: (Advice No. 85)
Updates switched and special access rates to reflect Oregon Universal Service Fund credits against the cost of carrier access. Eliminates the IntraLATA dialing parity rate.

STAFF RECOMMENDATION:

Staff recommends the Commission allow the September 11, 2003, revised filings, effective November 1, 2003, to go into effect.

DISCUSSION:

On September 8, 2003, the Oregon Exchange Carrier Association (OECA) filed Advice No. 84 in its Intrastate Carrier Common Line tariff and Advice No. 85 in its Intrastate Access tariff to be effective November 1, 2003. The filing was made under ORS 759.220, *Joint rates and classifications; procedure; considerations* and 759.225, *Applications of ORS 759.220 to unincorporated associations and cooperative corporations*. The filing revises the Carrier Common Line (CCL) and Traffic Sensitive rates to reflect the Oregon Universal Service Fund (OUSF) credits against the cost of carrier access¹ and eliminates the IntraLATA Dialing parity rates for the pool participating companies. On September 10, 2003, OECA filed revised tariff sheets to correctly reflect the proposed Special Access rates.

¹ The Commission, in Order 03-294 (May 14, 2003) docket UM 384, adopted amendments to the Oregon Customer Access Plan (OCAP). The Commission directed the Oregon Exchange Carrier Association (OECA) to file the amendments in Order 03-082 (February 3, 2003) in docket UM 1017.

The Commission, in docket UM 384, issued Order 93-1133 which adopted the current Oregon Customer Access Plan. In the Plan, Incumbent Local Exchange Carriers (ILECs) pool their intrastate access costs and charge statewide average access charge rates. These access charges recover the cost of the local loop (from the end user to the Central Office), the switching equipment in the Central Office and the trunks used to transport the call from the end user making the call to the number called.

These costs are assigned to the intrastate jurisdiction as defined in FCC Separation Rules (47 CFR Part 36) and adopted by the PUC. All calls, whether local, extended area service (EAS), interstate long distance or intrastate long distance use the same network made up of the local loop, switching and transport. Through the Separation rules, costs are assigned to the local, EAS, interstate or intrastate toll/access for recovery through various rates. Access charge rates are paid by Interexchange Carriers (IXCs or Long Distance Carriers) to originate or terminate a toll call to the ILEC's end user customer. The rates OECA proposes in this filing recover ILEC costs for originating and/or terminating intrastate long distance calls.

In Order 03-082 (February 3, 2003) docket UM 1017, the Commission adopted a stipulation by the industry to expand the Oregon Universal Service Fund (OUSF) to include rural ILECs. Under the rate rebalancing provision of the stipulation, the ILECs must reduce the costs of other telecommunications services that have traditionally supported the provision of basic telephone service. The first priority is to reduce the Carrier Common Line (CCL) access rate.²

In Order 03-294 (May 14, 2003) docket UM 384, the Commission granted OECA's petition to amend the Oregon Customer Access Plan (OCAP).³ The OCAP amendments allow recognition of OUSF credits against the cost of carrier access, eliminate both the OCAF surcharge as a separate funding source and the cost constraint provisions of the original OCAP. The changes make the OCAF self-sustaining without the need for outside funding by non-participating LECs.⁴

ACCESS CHARGE ELEMENTS Carrier Common Line

The Carrier Common Line (CCL) rates decrease as shown on Attachment 1, lines 1 and 2. The 2003 total OCAF pool unadjusted CCL revenue requirement is \$11.312M. This

² The Carrier Common Line rate is recognized as an implicit subsidy for basic local service.

³ The Commission, in docket UM 384, adopted the OCAP. The Plan allowed participating ILECs to pool access costs and charge a uniform statewide rate for access as a means of promoting long distance competition to all areas of the state.

⁴ The elimination of the OCAF surcharge and the cost constraint provisions of the Plan were implemented August 21, 2003, per OECA's Advices 82 and 83.

CCL revenue requirement is offset by \$6.686M in OUS support for an adjusted total of \$4.626M.

Traffic Sensitive

The Local Switching and Transport rates increase as shown on Attachment 1, lines 3 and 4. The slight increase is a result of reallocating the administrative expenses between the revised CCL, Local Switching and Transport revenue requirements. The CCL revenue requirement decreases after applying the cost offsets thus allocating more administrative costs to the Local Switching and Transport revenue requirements.

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 pool. This filing decreases special access rates by approximately 6 percent. See Attachment 2, lines 1 through 14. Two pool participating companies elected to apply a portion of their OUSF cost offset to their Special Access revenue requirement.⁵

Billing and Collection

The Billing and Collection (B&C) Rating Service rate is unchanged, while Bill Processing decreases by 5.4 cents per message. See Attachment 2, lines 15 and 16. Three pool participating companies elected to apply a portion of their OUSF cost offset to their B&C revenue requirement.⁶

IntraLATA Dialing Parity

The Commission investigated IntraLATA⁷ Dialing Parity in PUC docket UT 132. The Telecommunications Act of 1996 (the Act) imposed a duty on all local exchange carriers to provide "dialing parity (also known as equal access) to competing providers of telephone toll service". The FCC established rules to implement the Act. FCC Rule 51.5 defines dialing parity to mean that a long distance carrier is able to provide telecommunications services to a customer without the use of an access code. That is, the customer presubscribes to its long distance carrier of choice, simply dials 1+ the

⁵ These companies first eliminated their CCL revenue requirement and applied a portion of the remaining cost offset to special access.

⁶ These companies first eliminated their CCL revenue requirement and applied a portion of the remaining cost offset to Billing and Collection.

⁷ A LATA is a Local Access and Transport Area as established by Judge Green at the divestiture of AT&T (1-1-1984). The Bell Operating Companies provide toll within a LATA but are prohibited from providing toll across LATA boundaries. Oregon is divided into two LATAs, Portland and Eugene. The Portland LATA extends from the Oregon-Washington border south to a line between Salem and Albany and includes the eastern portion of the state. The Eugene LATA includes the southwestern portion of the state.

number and the call is carried by that provider. The customer is not required to dial an access code, such as 10-10-220, to reach the long distance carrier and then dial the telephone number of the party it wishes to reach. The Act determined the ability to complete a call using 1+ toll dialing was a competitive advantage over dialing an access code plus the ten digit telephone number.

Since the majority of IntraLATA long distance calls are intrastate calls, the OPUC investigated implementation of IntraLATA Dialing Parity and approved each local telephone company's implementation plan. Order 97-107 in docket UT 132, set the incremental cost requirements and the recovery period for dialing parity conversions. Implementation involved changes to the Central Office Switches and software to accommodate numerous presubscribed long distance carriers. The Commission determined carriers would recover the costs through a special charge called the EANRRC. The recovery period would be four years from the date of dialing parity implementation.

The participating companies implemented dialing parity in 1999 and staff determined the companies will recover the costs by October 31, 2003.

Staff Conclusions

The \$6.686M OUSF cost offset decreases the OCAF pool unadjusted revenue requirement by 33.5 percent. This decrease represents a significant savings to long distance carriers operating in Oregon. Staff hopes the long distance carriers will pass these savings on to their Oregon customers.

In accordance with ORS 759.220(2), *Joint rates and classifications; procedure; considerations*, the Commission could suspend this filing for further investigation. Staff recommends the Commission accept the OECA revised access charge rates. These rates reflect implementation of the plan changes adopted in order No. 03-294 and the OUSF cost offsets as part of the UM 1017 ordered rate rebalancing (order No. 03-082).

PROPOSED COMMISSION MOTION:

OECA's Advices 84 and 85, revising intrastate Switched, Special Access and Billing and Collection rates be allowed to go into effect November 1, 2003.

Access Rate Elements	Current Rates	Proposed Rates	Rate Change
CARRIER COMMON LINE			
1 Premium Terminating	\$0.05878	\$0.02417	(\$0.03461)
2 Premium Originating	\$0.02939	\$0.01209	(\$0.01730)
TRAFFIC SENSITIVE			
3 Local Switching	\$0.01299	\$0.01306	\$0.00007
4 Transport	\$0.02075	\$0.02087	\$0.00012

Access Rate Elements	Current Rates	Proposed Rates	Rate Change
SPECIAL ACCESS			
Channel Terminations			
1 2-wire	\$87.56	\$82.34	(\$5.22)
2 4-wire	\$116.80	\$109.83	(\$6.97)
3 2.4 to 56k	\$141.94	\$133.48	(\$8.46)
4 High Cap DS1	\$913.22	\$858.72	(\$54.50)
5 High Cap DS3	\$7,180.92	\$6,751.77	(\$429.15)
Transport Fixed			
6 2-wire/4-wire	\$17.73	\$16.68	(\$1.05)
7 2.4 to 56k	\$27.55	\$25.91	(\$1.64)
8 High Cap DS1	\$411.66	\$307.09	(\$104.57)
9 High Cap DS3	\$1,853.33	\$1,742.57	(\$110.76)
Transport Mileage			
10 2-wire/4-wire	\$4.50	\$4.23	(\$0.27)
11 2.4 to 56k	\$4.50	\$4.23	(\$0.27)
12 High Cap DS1	\$27.67	\$26.03	(\$1.76)
13 High Cap DS3	\$100.30	\$94.31	(\$5.99)
14 Bridging	\$8.91	\$8.38	(\$0.53)
BILLING AND COLLECTION:			
15 Bill Processing	\$0.492321	\$0.438315	(\$0.054006)
16 Rating	\$0.024300	\$0.024300	\$0.000000