

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: June 29, 2005

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE  July 1, 2005

DATE: June 21, 2005

TO: Public Utility Commission

FROM: Roger White

THROUGH: Lee Sparling, Phil Nyegaard, and Cynthia Van Landuyt

SUBJECT: OREGON EXCHANGE CARRIER ASSN: (Advice No. 92) Updates the Carrier Common Line access rates to reflect 2005 cost and demand.  
OREGON EXCHANGE CARRIER ASSN: (Advice No. 93) Revises the Switched Access, Special Access and Billing and Collection rates to reflect 2005 cost and demand.

**STAFF RECOMMENDATION:**

Staff recommends the Commission allow the June 17, 2005 revised filings, effective July 1, 2005, to go into effect.

**DISCUSSION:**

On March 15, 2005, the Oregon Exchange Carrier Association (OECA) filed Advice No. 92 in its Intrastate Carrier Common Line (CCL) tariff and Advice No. 93 in its Intrastate Access tariff to be effective July 1, 2005. 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 filings revise the Carrier Common Line (CCL), Traffic Sensitive, Special Access and Billing and Collection rates to reflect 2005 cost and demand and the Oregon Universal Service Fund (OUSF) credits against the cost of carrier access. On June 17, 2005, OECA filed revised tariff sheets<sup>1</sup> to reflect adjustments to individual company costs and demand agreed to by staff and the companies.

---

<sup>1</sup> Some companies have company-specific rates filed as separate tariff sheets in the OECA CCL and Access tariffs. Canby and Cascade file company-specific Billing and Collection rates. Asotin, Home, Molalla, Nehalem, and Pioneer file company-specific Billing and Collection and Special Access rates.

The Commission, in docket UM 384, issued Order 93-1133 which adopted the 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 jurisdiction 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 CCL access rate.<sup>2</sup>

### **OUS OFFSETS**

All companies offset their Carrier Common Line revenue requirement by all or a portion of their calculated OUS support.<sup>3</sup> Some companies receive OUS support which is greater than their CCL revenue requirement. Those companies can then apply the remaining amount to reduce other rates. Cascade Utilities, Inc. (Cascade), after applying the OUS support offset to its CCL, Local Switching, Transport and Special Access revenue requirements has a residual amount. The company chooses to forego the residual amount for the 2005-06 support year. The PUC's approved OUSF support per line for Cascade is \$6.48. The adjusted per line amount for the 2005-06 support year is \$5.46.

---

<sup>2</sup> The Carrier Common Line rate is recognized as an implicit subsidy to offset basic local service rates in high cost areas.

<sup>3</sup> The OUS support available for offset is calculated by multiplying the proposed 2005 average basic service access lines times the PUC approved support per line times 12.

**ACCESS CHARGE ELEMENTS:**

**Carrier Common Line**

The CCL rates recover the local loop costs assigned to the intrastate toll/access jurisdiction. The CCL rates increased by 12 percent as shown on Attachment 1, lines 1 and 2. The 2005 total OCAF pool unadjusted CCL revenue requirement is \$10.595M. This CCL revenue requirement is offset by \$5.927M in OUS support for an adjusted total of \$4.668M. CCL revenue requirements decreased by 4.7 percent from the previous year; however, rates increased because access minutes decreased by 14.6 percent.

**Traffic Sensitive**

The Local Switching and Transport rates increased as shown on Attachment 1, lines 3 and 4. This increase was driven by the same factors that drove the CCL rate increase. One pool company participant applied \$230,834 to offset its Local Switching and Transport revenue requirements.

**Special Access**

The Special Access rates<sup>4</sup> 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 17 percent for all rates. 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.<sup>5</sup>

**Billing and Collection**

The Billing and Collection (B&C) Rating Service rate and the Bill Processing rate increased by approximately 38 percent. A low cost company chose to exit the Billing and Collection pool and file company-specific rates which were lower than the composite pool rates. See Attachment 2, lines 15 and 16. Two pool participating companies elected to apply a portion of their OUSF cost offset to their B&C revenue requirement.<sup>6</sup>

---

<sup>4</sup> Special Access service is a dedicated point-to-point service.

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

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

## **STAYTON COOPERATIVE TELEPHONE COMPANY SPECIFIC RATES**

On February 28, 2005, Stayton gave notice that it was exercising its right to leave the OECA Switched Access Pool<sup>7</sup> as of July 1, 2005. In addition to the notice, the company also requested that OECA file Stayton's rate pages concurrently with the OCAF filing, which it did. Attachment 1A compares Stayton's proposed rates with the current OECA Switched Access Pool rates. If adopted, Stayton's proposed CCL rates would drop by 65 percent and its Traffic Sensitive rates would drop by approximately 15 percent on average.

## **STAFF CONCLUSIONS**

The \$6.205M OUSF cost offset decreases the OCAF pool unadjusted revenue requirement by 31.4 percent. This decrease represents a significant savings to long distance carriers operating in Oregon.

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.

## **PROPOSED COMMISSION MOTION:**

OECA's Advices 92 and 93, revising intrastate Switched, Special Access and Billing and Collection rates be allowed to go into effect July 1, 2005. Cascade Utilities, Inc.'s OUS support per line for the 2005-06 support year shall be \$5.46 per line per month.

---

<sup>7</sup> Order 03-294, Appendix A, Page 9, Section VII, Paragraph A establishes that participation is optional for ILECs on a year-to-year basis. Paragraph A also establishes that the ILEC must give notice before March 1 of the rate year in question. Stayton met this deadline.

<b>Access Rate Elements</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Rate Change</b>	<b>% Rate Change</b>
<b>CARRIER COMMON LINE</b>				
1 Premium Terminating	\$0.025250	\$0.028310	\$0.00306	12.12%
2 Premium Originating	\$0.012620	\$0.014160	\$0.00154	12.20%
<b>TRAFFIC SENSITIVE</b>				
3 Local Switching	\$0.013500	\$0.013690	\$0.00019	1.41%
4 Transport	\$0.019980	\$0.023280	\$0.00330	16.52%

Stayton Cooperative Telephone Company

<b>Access Rate Elements</b>	<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Rate Change</b>	<b>% Rate Change</b>
<b>CARRIER COMMON LINE</b>				
1 Premium Terminating	\$0.025250	\$0.009080	-\$0.01617	-64.04%
2 Premium Originating	\$0.012620	\$0.004540	-\$0.00808	-64.03%
<b>TRAFFIC SENSITIVE</b>				
3 Local Switching	\$0.013500	\$0.011270	-\$0.00223	-16.52%
4 Transport	\$0.019980	\$0.017200	-\$0.00278	-13.91%

<u>Access Rate Elements</u>	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Rate Change</u>	<u>% Rate Change</u>
<b>SPECIAL ACCESS</b>				
<b>Channel Termination</b>				
1 2-Wire	\$97.31	\$81.01	(16.30)	-16.8%
2 4-Wire	\$129.80	\$108.06	(21.74)	-16.7%
3 2.4 to 64k	\$157.75	\$131.33	(26.42)	-16.7%
4 High Cap DS1	\$1,014.84	\$844.85	(169.99)	-16.8%
5 High Cap DS3	\$8,486.41	\$7,064.94	(1,421.47)	-16.7%
<b>Transport Fixed</b>				
6 2-Wire/4-Wire	\$19.71	\$16.41	(3.30)	-16.7%
7 2.4 to 64k	\$30.62	\$25.49	(5.13)	-16.8%
8 High Cap DS1	\$457.46	\$380.84	(76.62)	-16.7%
9 High Cap DS3	\$2,190.27	\$1,823.40	(366.87)	-16.7%
<b>Transport Mileage</b>				
10 2-Wire/4-Wire	\$5.00	\$4.16	(0.84)	-16.8%
11 2.4 to 64k	\$5.00	\$4.16	(0.84)	-16.8%
12 High Cap DS1	\$30.76	\$25.61	(5.15)	-16.7%
13 High Cap DS3	\$118.53	\$98.68	(19.85)	-16.7%
14 <b>Bridging</b>	\$9.90	\$8.24	(1.66)	-16.8%
<b>BILLING AND COLLECTION</b>				
15 Bill Processing	\$0.597905	\$0.824152	0.226247	37.8%