

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 11, 2005**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ NA _____

DATE: September 22, 2005

TO: Public Utility Commission

FROM: Cynthia Van Landuyt

THROUGH: Lee Sparling and Phil Nyegaard

SUBJECT: BEAVER CREEK COOPERATIVE TELEPHONE CO: (Docket No. UM 1204) Request for Waiver of the Biennial Filing Requirement for State Access Rates.

STAFF RECOMMENDATION:

Staff recommends the Commission grant Beaver Creek Cooperative Telephone Company's request for waiver of the biennial filing requirement for state access rates.

DISCUSSION:

On May 31, 2004, Beaver Creek Cooperative Telephone Company (Beaver Creek) filed a request for waiver of the biennial filing requirement for state access rates. The company stated its projected revenue requirement for state access is within \$8,500 of the revenue that would be generated applying its current rates to the projected demand.

Background:

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. The Plan, at Part IX, addresses Optional Pooling and Filing Frequency. The Plan states that participation in the Oregon Customer Access Fund (OCAF) shall be optional on a year to year basis. For those companies not participating in the OCAF, the maximum interval between access filings shall not exceed two years.¹ Beaver Creek does not

¹ Beaver Creek is one of six companies not participating in the OCAF pool. Beaver Creek is the first company to request a waiver of the filing requirement.

participate in the OCAF pool and last updated its intrastate access charge rates on August 1, 2003, reflecting cost and demand at 2003 levels.²

Beaver Creek's access charges recover the regulated 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, regulated 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.

Staff Review:

Staff conducted an onsite review of Beaver Creek's operations, including a tour of all company facilities and serving areas.³ In addition to Beaver Creek's Incumbent Local Exchange Carrier (ILEC) operations, the Commission granted Beaver Creek certificates of authority as a competitive long distance provider and a Competitive Local Exchange Carrier (CLEC). The company provides analog and digital cable television, internet services, including dialup and high-speed DSL, and resells wireless service.

Telsystems West, Inc. is a wholly owned subsidiary of Beaver Creek. Beaver Creek provides management and personnel services to Telsystems West.⁴ In turn, Telsystems West will manage a separate entity called Associated Cooperative Telecommunications, Inc. (ACT) through a management agreement, providing management, accounting, engineering, customer service and personnel services.

Staff also reviewed the company's budget including plant in service, reserves and operating expenses and cost allocation to its nonregulated operations. Staff provided Beaver Creek representatives with preliminary work papers and met with them on

² Beaver Creek submitted a revenue neutral filing effective December 19, 2003, which eliminated the Carrier Common Line rate as an offset to the annual Oregon Universal Service Fund distributions the company would receive.

³ PUC Staff conducts reviews of OCAF participating companies' operations, budgets and allocations to nonregulated activities in conjunction with the OCAF pool annual access charge filing. Staff conducted onsite reviews of Canby Telephone Association and Roome Telecommunications, Inc. Staff plans to conduct reviews of several other participating companies this fall.

⁴ Per Beaver Creek, Telsystems West, Inc. is in the process of purchasing a company called Broadband Cable Telecommunications with ACT.

August 1, 2005, to discuss Staff's position. At that meeting, the company agreed to provide additional work papers further demonstrating its allocation method to nonregulated operations. The company responded on August 29 and September 1 with additional work papers.

Staff Conclusions

Staff reviewed the work papers provided. Based on the budget information provided by the company showing total company plant, reserves, taxes and expenses and the amounts of each allocated to regulated and nonregulated operations, the allocation appears adequate.

PROPOSED COMMISSION MOTION:

Beaver Creek Cooperative Telephone Company's request for waiver of the biennial filing requirement for state access rates be granted.