

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2006**

REGULAR X CONSENT _____ EFFECTIVE DATE July 1, 2006

DATE: June 20, 2006

TO: Public Utility Commission

FROM: Cynthia Van Landuyt

THROUGH: Lee Sparling through Phil Nyegaard

SUBJECT: OREGON EXCHANGE CARRIER ASSN: (Advice No. 96) Updates the Carrier Common Line access rates to reflect 2006 cost and demand.
OREGON EXCHANGE CARRIER ASSN: (Advice No. 97) Revises the Switched Access, Special Access and Billing and Collection rates to reflect 2006 cost and demand.

STAFF RECOMMENDATION:

Staff recommends the Commission allow the June 19, 2006, revised filings, effective July 1, 2006, to go into effect.

DISCUSSION:

On March 15, 2006, the Oregon Exchange Carrier Association (OECA) filed Advice No. 96 in its Intrastate Carrier Common Line (CCL) tariff and Advice No. 97 in its Intrastate Access tariff to be effective July 1, 2006. 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 CCL, Traffic Sensitive, Special Access and Billing and Collection rates to reflect 2006 cost and demand. The filings also comply with Order 06-297 in docket UM 1017 regarding Oregon Universal Service Fund (OUSF) credits against the cost of carrier access. On June 19, 2006, OECA filed revised tariff sheets to reflect adjustments to individual company costs and demand agreed to by staff and the companies, and the inclusion of Beaver Creek Cooperative Telephone Company in the switched and special access pools.

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 Federal Communications Commission (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), also in docket UM 1017, the Commission adopted a stipulation by the industry to expand the OUSF to include rural ILECs. Under the rate rebalancing provision of the stipulation, the ILECs must reduce the rates of other telecommunications services that have traditionally supported the provision of basic telephone service. The first priority is to reduce the CCL access rate.¹

In Order 06-297, the Commission: 1) accepted the Memorandum of Understanding (MOU) between staff, the Oregon Telecommunications Association (OTA) and the OECA; 2) approved revised OUSF support per line amounts effective with the July 2006 disbursements and; 3) directed the OECA to apply the projected annual OUSF support, based on the revised support per line, as an offset first to the rural companies' CCL revenue requirements contained in OECA Advice Nos. 96 and 97. These filings comply with that directive.

ACCESS CHARGE ELEMENTS:

Carrier Common Line

The CCL rates recover the local loop costs assigned to the intrastate toll/access jurisdiction. The CCL rates increase slightly as shown on Attachment 1, lines 1 and 2. The 2006 total OCAF pool unadjusted CCL revenue requirement is \$10.746M. This CCL revenue requirement is offset by \$6.033M in OUS support for an adjusted total of \$4.713M.

¹ The CCL rate is recognized as an implicit subsidy to offset basic local service rates in high cost areas.

Traffic Sensitive

The Local Switching and Transport rates decrease as shown on Attachment 1, lines 3 and 4. Two pool company participants applied \$284,240 to offset their Local Switching and Transport revenue requirements.²

Special Access

The Special Access rates³ 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 increases special access rates by 2.92 percent. See Attachment 2, lines 1 through 14. One pool participating company elected to apply a portion of their OUSF cost offset to its Special Access revenue requirement.⁴

Billing and Collection

The Billing and Collection (B&C) Rating Service and Bill Processing rates increased by 13.6 percent. 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.⁵

OUS OFFSETS⁶

All companies offset their Carrier Common Line revenue requirement by all or a portion of their calculated OUS support.⁷ 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. As noted above, some companies applied the remaining support to their switched access, special access or billing and collection revenue requirements. Others used the remaining support to lower EAS or local rates.

² The companies first eliminated their CCL revenue requirement and applied a portion of the remaining cost offset to traffic sensitive costs.

³ Special Access service is a dedicated point-to-point service.

⁴ The company first eliminated its CCL revenue requirement and applied a portion of the remaining cost offset to special access.

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

⁶ The OUS offsets reflect the revised support per line set out in the MOU between staff, the OTA and the OECA.

⁷ The OUS support available for offset is calculated by multiplying the proposed 2006 average basic service access lines times the PUC approved support per line times 12.

Staff Conclusions

The \$6.317M⁸ OUSF cost offset decreases the access charge pool unadjusted revenue requirement by 35 percent. This decrease represents a significant savings to long distance carriers operating in Oregon.

The net annual revenue effect of these revised rates is a decrease of \$778,445 in switched access revenues. The proposed rates recover the companies' 2006 intrastate switched access revenue requirement net of OUSF offsets.

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 96 and 97, revising intrastate Switched, Special Access and Billing and Collection rates be allowed to go into effect July 1, 2006.

⁸ The \$6.033M offset to CCL and the \$0.284M offset to traffic sensitive costs equals \$6.317M.

Access Rate Elements	Current Rates	Proposed Rates	Rate Change
CARRIER COMMON LINE			
1 Premium Terminating	\$0.02831	\$0.02855	\$0.00024
2 Premium Originating	\$0.01416	\$0.01427	\$0.00011
TRAFFIC SENSITIVE			
3 Local Switching	\$0.01369	\$0.01050	(\$0.00319)
4 Transport	\$0.02328	\$0.02268	(\$0.00060)

Access Rate Elements	Current Rates	Proposed Rates	Rate Change
SPECIAL ACCESS			
Channel Terminations			
1 2-wire	\$81.01	\$83.38	\$2.37
2 4-wire	\$108.06	\$111.22	\$3.16
3 2.4 to 56k	\$131.33	\$135.16	\$3.83
4 High Cap DS1	\$844.85	\$869.52	\$24.67
5 High Cap DS3	\$7,064.94	\$8,734.21	\$206.30
Transport Fixed			
6 2-wire/4-wire	\$16.41	\$16.89	\$0.48
7 2.4 to 56k	\$25.49	\$26.23	\$0.74
8 High Cap DS1	\$380.84	\$391.96	\$11.12
9 High Cap DS3	\$1,823.40	\$1,876.64	\$53.24
Transport Mileage			
10 2-wire/4-wire	\$4.16	\$4.28	\$0.12
11 2.4 to 56k	\$4.16	\$4.28	\$0.12
12 High Cap DS1	\$25.61	\$26.36	\$.75
13 High Cap DS3	\$98.68	\$101.56	\$2.88
14 Bridging	\$8.24	\$8.48	\$0.24
BILLING AND COLLECTION:			
15 Bill Processing	\$0.824152	\$0.936814	\$0.112662
16 Rating	\$0.045600	\$0.051800	\$0.006200