

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 30, 2009**

REGULAR _____ CONSENT _____ EFFECTIVE DATE July 1, 2009

DATE: June 22, 2009

TO: Public Utility Commission

FROM: John Reynolds

THROUGH: Lee Sparling, Bryan Conway, and Roger White

SUBJECT: OREGON EXCHANGE CARRIER ASSOCIATION: (Advice No. 108)
Revises the intrastate Access Charge pool Carrier Common Line rates to reflect 2009 cost and demand.
OREGON EXCHANGE CARRIER ASSOCIATION: (Advice No. 109)
Revises the intrastate Access Charge pool, Special Access pool and Billing and Collection pool rates to reflect 2009 cost and demand and also revises Billing and Collection Rates of three non-pool participating companies to reflect 2009 cost and demand.

STAFF RECOMMENDATION:

Staff recommends the Commission allow the June 22, 2009, revised filings, effective July 1, 2009, to go into effect.

DISCUSSION:

On March 13, 2009, the Oregon Exchange Carrier Association (OECA) filed Advice No. 108 in its Intrastate Carrier Common Line (CCL) tariff and Advice No. 109 in its Intrastate Access tariff to be effective July 1, 2009. The filing was made under ORS 759.220, *Joint rates and classifications; procedure; considerations* and ORS 759.225, *Applications of ORS 759.220 to unincorporated associations and cooperative corporations*.

The filings revise the Intrastate Access Pool's CCL, Traffic Sensitive, and Billing and Collection rates to reflect 2009 cost and demand. It also revises certain Billing and Collection rates for non-pool companies. 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 22, 2009, OECA filed revised tariff sheets to reflect adjustments to individual company costs and demand agreed to by staff and the companies. OECA also filed a Less than Statutory Notice (LSN) form as required.

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 and; 3) directed the OECA to apply the projected annual OUSF support, based on the revised support per line, as an offset to the rural companies' CCL revenue requirements. These filings comply with that directive.

The switched access rates (CCL, Local Switching and Transport) are increasing from last year: CCL is increasing by 43 percent while Local Switching is increasing by 11.5 percent and Transport is increasing by 1.9 percent. The combination of increasing revenue requirements (for CCL and Transport) and declining minutes produced this result. For 2009, the unadjusted revenue requirement for CCL increases by 23.9

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

percent, for Local Switching it decreases by 3.5 percent, and for Transport it decreases by 11.8 percent.²

Over the past several years, minutes have declined in excess of 7 percent per year. This year's forecast is projecting a continuation of the trend; the rate of decline in minutes for 2009 is expected to be in excess of 13 percent.

INTRASTATE POOL 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 43 percent as shown on Attachment 1, lines 1 and 2. This increase in the CCL rates is driven by a combination of declining minutes, an increased revenue requirement, and a decline in Oregon Universal Service Support. OUSF Support reduces revenue requirements. The 2009 total Access pool unadjusted CCL revenue requirement is \$12.647M. This CCL revenue requirement is offset by \$5.538M in OUS support for an adjusted total of \$7.109M.

Traffic Sensitive

The Local Switching and Transport rates increased by 11.4 percent and 1.9 percent respectively as shown on Attachment 1, lines 3 and 4.

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. No changes are proposed in this filing.

Billing and Collection

The Billing and Collection (B&C) Rating Service and Bill Processing rates increased by 3.2 percent. See Attachment 2, lines 1 and 2. Two pool participating companies elected to apply a portion of their OUSF cost offset to their B&C revenue requirement.⁴

² Unadjusted revenue requirements are revenue requirements before the OUS offset.

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

⁴ These companies first eliminated their CCL revenue requirement and applied a portion of the remaining cost offset to Billing and Collection.

OUS OFFSETS⁵

All companies offset their Carrier Common Line revenue requirement by all or a portion of their calculated OUS support.⁶ 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 B&C revenue requirements. Others used the remaining support to lower EAS or local rates.

NON-POOLING COMPANY FILINGS

Five companies have exited the Special Access pool and filed company-specific special access rates. None of these companies have filed revised special access rates for 2009.⁷

In addition, nine companies have exited the B&C Pool and currently file company-specific B&C rates. Three of the companies filed revised rates reflecting 2009 cost and demand.⁸ The rates are below those charged by the B&C pool.

Staff Conclusions

The \$5.538M OUSF cost offset decreases the access charge pool unadjusted revenue requirement by 29.5 percent. This decrease represents a significant savings to long distance carriers operating in Oregon.

The net annual revenue effect of these revised rates is an increase of \$769,536 in switched access revenues. The proposed rates recover the companies' 2009 intrastate switched access revenue requirement net of OUSF offsets.

⁵ The OUS offsets reflect the revised support per line set out in the MOU between staff, the OTA and the OECA.

⁶ The OUS support available for offset is calculated by multiplying the proposed 2009 average basic service access lines times the PUC approved support per line times 12.

⁷ The Commission does not require annual filings to update cost and demand for special access rates.

⁸ The Commission does not require annual filings to update cost and demand for billing and collection rates.

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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 108 and 109, revising intrastate Switched, and Billing and Collection rates be allowed to go into effect July 1, 2009, with less than statutory notice.

	Access Rate Elements	Current Rates	Proposed Rates	Rate Change
	CARRIER COMMON LINE			
1	Premium Terminating	\$0.03991	\$0.05732	\$0.01741
2	Premium Originating	\$0.01996	\$0.02866	\$0.00870
	TRAFFIC SENSITIVE			
3	Local Switching	\$0.01154	\$0.01285	\$0.00131
4	Transport	\$0.02466	\$0.02512	\$0.00046

	Access Rate Elements	Current Rates	Proposed Rates	Rate Change
	BILLING AND COLLECTION:			
1	Bill Processing	\$1.136900	\$1.173300	\$0.036400
2	Rating	\$0.062900	\$0.064900	\$0.002000