

November 23, 2010

Filed electronically and by UPS Overnight Mail

Filing Center
Oregon Public Utilities Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301


RE: In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff
Investigation of the Oregon Universal Service Fund
Docket No. UM 1481

Dear Sir/Madam:

Enclosed for filing in the above-captioned matter please find the s/ version and one copy of Integra Telecom Reply Comments, along with the Certificate of Service. The original and one copy of the executed document will be sent to the Commission via overnight UPS delivery on Monday, November 29 for receipt by the Commission on Tuesday, November 30.

Thank you for your assistance in the matter. Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,



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Enclosures

cc: Attached Service List (w/encls.) (via email and/or U.S. Mail as indicated)

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1481

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Staff investigation of the Oregon Universal
Service Fund.

**INTEGRA TELECOM
REPLY COMMENTS**

Integra Telecom of Oregon, Inc., Eschelon Telecom of Oregon, Inc., Electric Lightwave, LLC., Advanced TelCom, Inc., Shared Communications Services, Inc., Oregon Telecom, Inc., and United Communications, Inc. (collectively referred to as “Integra” or “Integra Telecom”), respectfully submit the following reply comments in response to October 25, 2010 comments in this docket and the Telephone Conference Report indentifying particular commission interest in issues 5-13.¹ Integra is a Competitive Local Exchange Carrier (“CLEC”) operating in 11 western states. Integra operates in Qwest and Frontier (formerly Verizon) territories within the state of Oregon.

National Broadband Plan

One question from the Consolidated Issues List² about which the Commission indicated a particular interest related to the Federal Communications Commission’s (“FCC’s”) National Broadband Plan. Question 6 asks, “[s]hould the Commission retain the status quo until it knows what the FCC is doing and how the National Broadband Plan and American Recovery and Reinvestment Act are implemented?”³

Integra believes that, in general, the answer to Question 6 is “Yes.” The National Broadband Plan (“the Plan”) outlines the FCC’s intention to dramatically reform Federal Universal Service goals and funding, as well as the current intercarrier compensation (“ICC”) mechanism, which includes inter- and intrastate switched access charges.⁴ As part of this reform, the National Broadband Plan outlines the FCC’s intent to take jurisdiction away from the states with respect to intrastate access. This proposed jurisdictional change will undoubtedly raise disputes among various carriers and state commissions. Given the jurisdictional changes proposed at the federal level, Integra believes that it is best not to *mandate* reform on all local exchange carriers (“LECs”) within the state.⁵ Instead, resources are best spent in resolving the

¹ Telephone Conference Report, November 3, 2010, p. 1.

² Consolidated Issues List, September 8, 2010.

³ Consolidated Issues List, September 8, 2010, p. 1.

⁴ National Broadband Plan, Recommendations pp. 135-136.

⁵ See also, Opening Comments of Frontier Communications Northwest Inc. (“Opening Comments of Frontier”), p. 2, “... a practical approach for carriers to stabilize revenues would be to give carriers the option of rebalancing switched access charges and basic service rates. Such actions should not be

disputed federal issues first, and then, if necessary, determining what additional action, if any, should be taken at the state level.⁶ It is not efficient for interested parties to debate these issues simultaneously before multiple state commissions while these issues are still under consideration at the federal level.

The National Broadband Plan has put into motion a number of federal rulemaking proceedings that will shape the future of Universal Service and access reform, as well as a plethora of other issues that relate to the future of the telecommunications industry. The Commission should closely monitor the National Broadband Plan proceedings and carefully evaluate the implications of moving ahead with changes to Universal Service in Oregon ahead of, or inconsistent with, the FCC. For example, the Commission should consider whether and how the FCC plans to consider state universal service funds as a source of funding to reach the universal service goals outlined in the National Broadband Plan.⁷ This could impact the overall level at which Oregon consumers pay for universal service and could result in Oregon consumers paying more for universal service than consumers in other states.

Regarding intrastate access reform, here too the Commission should monitor and participate in the FCC's rulemaking proceedings scheduled to start in the near future. The FCC has indicated that it plans to take jurisdiction away from the states with regard to intrastate access.⁸ As stated previously, Integra believes that it is not an efficient use of resources to dispute the future of intrastate access at both the federal and state level simultaneously. Many of the opening comments in this docket also encourage the Commission to wait, at least in some respects, for clarity from what the FCC intends.⁹

In addition, it should be kept in mind that universal service and access reform are but two aspects of the National Broadband Plan – a plan that includes multiple pro-competitive goals.¹⁰ Implementing one part of the plan, such as access reform, ahead of or without regard for other parts of the plan, such as special access pricing reform, may unduly harm one class of carrier over another.

Reply to Selected Opening Comments

Universal Service

Whether or not an Oregon Universal Service Fund (“OUSF”) is necessary can only be answered by a clear definition of Universal Service goals and a specific investigation into

mandated for all ILECs. Those companies can determine for themselves whether rebalancing would be helpful.”

⁶ The state already has mechanisms in place for rate of return carriers to address revenue shortfalls. Integra is only concerned with the resources required to respond to the efforts by some large IXCs to impose mandated access reductions in multiple jurisdictions simultaneously.

⁷ National Broadband Plan, pp. 138-140.

⁸ National Broadband Plan, Recommendation 8.7, p. 148.

⁹ See, for example, Opening Comments of TRACER, p. 5, lines 14-21; Opening Comments of Frontier, p. 2; Comments by AT&T, p. 8; Opening Comments of the Citizens' Utility Board of Oregon (“Opening Comments of CUB”), pp. 4-5; Initial Comments of Comcast Phone of Oregon, LLC (“Initial Comments of Comcast”), p. 3; and Opening Comments of Qwest, pp. 2-3.

¹⁰ National Broadband Plan, Executive Summary, p. XI.

whether these goals are being met (and will be met going forward), and if not, the most efficient mechanism for achieving these goals.

Assuming the Universal Service goals are not being met, or that it is highly likely that these goals will not be met in the near future, the Commission should then determine what policies and/or reforms can be put in place to achieve (or maintain) Universal Service goals. As noted by TRACER, Universal Service should not be a mechanism to protect eroding revenue streams of ILECs, but should be a mechanism to protect consumers in Oregon.¹¹ Before a carrier is allowed to receive support from the OUSF the Commission should consider 1) whether the carrier currently has significant pricing flexibility, 2) the level of competition faced by the carrier, and 3) the current lack of (or threat to) Universal Service for consumers in the area served by the carrier. Once it is determined to what extent the OUSF may be necessary, then the Commission should seek ways to minimize the need to draw support from the OUSF, such as rate rebalancing, before a carrier becomes eligible for OUSF funding.

There should not be a default replacement of ILEC intrastate access revenues with additional support from the OUSF. As numerous comments have noted, access minutes have been declining.¹² It doesn't make sense to lock a declining revenue stream into the OUSF, unless it is specifically determined that the revenue stream is necessary and that support from the OUSF is the most effective replacement mechanism for that revenue stream. For example, does the ILEC have pricing flexibility? If the ILECs rates are regulated, how do those rates compare to rates of other carriers in Oregon (i.e. can they be increased).

Intrastate Access Reform

Contrary to advocacy by AT&T and Verizon,¹³ it is not necessary to address intrastate switched access reform in order to achieve the goals of Universal Service. It is understandable why ILECs, which rely on intrastate switched access revenue, might wish to preserve this dwindling revenue stream by moving this revenue stream to a source that is less likely to be eroded, such as a Universal Service Fund.¹⁴ It is also understandable why IXCs, which pay intrastate access charges in order to utilize another carrier's network, would seek to eliminate these costs. However, it is a mistake to automatically link access charge reform to Universal Service reform. The policy goals for Universal Service should first be established; then the most efficient mechanism for achieving these goals can be determined. Whether achieving Universal Service requires access reform can only be ascertained once Universal Service goals are defined and the extent to which these goals need funding is determined.

The direct benefits to Oregon consumers as a result of reductions in intrastate access rates cannot be clearly determined. IXCs are typically unwilling to promise or demonstrate that reductions in access charges actually flow through to consumers. IXC pricing plans generally have very little variability from state to state, thus the direct relationship between Oregon intrastate access rates and long distance rates in Oregon is unclear.

¹¹ Opening Comments of TRACER, p. 14, lines 10-14.

¹² See, for example, Opening Comments of the Oregon Telecommunications Association ("Opening Comments of OTA"), pp. 4-5; Opening Comments of Frontier, 1; and Comments by AT&T, pp. 3-4.

¹³ Comments by AT&T, p. 7; and Opening Comments of Verizon Competitive Providers, p. 18.

¹⁴ Opening Comments of OTA, p. 26.

AT&T argues that access charges harm consumers,¹⁵ but if revenue lost to ILECs as a result of access reductions is simply replaced with increases to end user rates or Universal Service, Oregon customers may end up paying more for phone service than they previously did. Even if IXCs reduced end-user rates by 100 percent of any access cost reductions, these reductions are unlikely to impact the same consumers who would experience rate increases in other telecommunication services. This alone does not mean that changes in access rates are ill advised, it simply means that the impact of changes in access rates should be properly considered before changes are mandated in Oregon.

Although Universal Service reform may protect ILEC revenue streams, it is not clear whether such reform necessarily advances the State's Universal Service goals. It is clear that changing Universal Service funding and distribution will impact Oregon consumers and carriers differently.

Finally, the necessity of new or continued OUSF support should be questioned when there is competition present in a particular area.¹⁶

Conclusion

Integra believes it is premature and inefficient for the Commission to take any further substantive steps regarding access charge or universal service reform at this time. The FCC has issued its National Broadband Plan, which will likely modify the landscape of universal service and intercarrier compensation such as access charges. The FCC has set a detailed schedule for this reform and is already moving forward with rulemakings and other proceedings. Given the proposed scope of the FCC National Broadband Plan, it does not make sense for Oregon to devote resources to rulemakings or other proceedings that may be contrary to, or incompatible with, the Plan and its resulting federal rules and programs.

Respectfully submitted this 23rd day of November, 2010.

INTEGRA TELECOM

/s/Douglas Denney

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¹⁵ Opening Comments of AT&T, p. 4.

¹⁶ See also Opening Comments of TRACER, p. 6, lines 19-26.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1481**

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

CERTIFICATE OF SERVICE

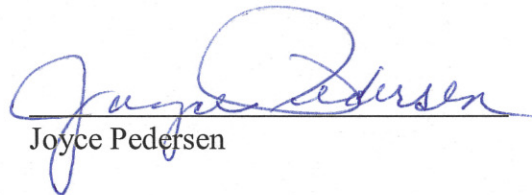
Staff Investigation of the Oregon
Universal Service Fund.

I hereby certify that on this 23rd day of November, 2010, I filed the s/ version and one copy of Integra Telecom Reply Comments (via overnight express delivery and electronically through the OPUC Filing Center) with:

Filing Center
Public Utility Commission of Oregon
550 Capitol Street N.E., Suite 215
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and served the same upon all parties on the attached service list via email and U.S. Mail to those who have not waived paper service.

DATED: This 23rd day of November, 2010.


Joyce Pedersen



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Docket Summary

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Docket No: UM 1481 **Docket Name:** INVESTIGATION INTO THE OREGON UNIVERSAL SERVICE FUND

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In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff investigation of the Oregon Universal Service Fund. Filed by Roger White.

Filing Date: 4/26/2010

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