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November 23, 2010

Attn: Filing Center
Public Utility Commission of Oregon
550 Capitol Street NE, #215
PO Box 2148
Salem, OR 97308-2148

Re: UM 1481 – AT&T Closing Comments – Investigation into the Oregon Universal Service Fund

Enclosed are AT&T Comments in the above-mentioned case.

If you have any questions, please do not hesitate to contact me.

Sincerely,

David Collier
Area Manager - Regulatory

BEFORE THE PUBLIC UTILITIES COMMISSION
OF OREGON

UM 1481

In the Matter of	)	
	)	**CLOSING COMMENTS**
PUBLIC UTILITY COMMISSION OF	)	**BY AT&T**
OREGON	)	
	)	
Staff Investigation of the Oregon Universal	)	
Service Fund	)	

AT&T Communications of the Pacific Northwest, Inc., TCG Joint Venture Holdings, Inc. dba TCG Oregon, and New Cingular Wireless PCS, LLC (collectively "AT&T") appreciate the time the Oregon Public Utilities Commission ("Commission") has taken to conduct this examination of the Oregon Universal Service Fund ("OUSF") and the changes that are necessary in light of the transformation of the communications industry that has occurred since its creation. Oregon's economy will benefit from a revised universal service program coupled with access reform. The revisions to the OUSF will ensure a smooth transition in Oregon to an all-broadband-world.

I. INTRODUCTION

In its opening comments, AT&T provided the Commission with a plan to encourage broadband deployment in the state, while at the same time recognizing that before the OUSF could transition to a broadband fund, a number of items need to be resolved at the federal level so as to avoid redundancies and inefficiencies. Specifically, AT&T suggested that the

Commission adopt a two step process. In Step 1 the Commission should immediately move to stabilize local exchange service providers' revenue streams to facilitate the transition to broadband. This step would be accomplished by reducing intrastate switched access for all incumbent local exchange carriers ("ILECs") in Oregon to that carrier's interstate switched access rate levels and structure, and requiring that they mirror the interstate access rate levels and structure going forward, and by capping the intrastate switched access rate of competitive local exchange carriers ("CLECs") at the intrastate switched access rates of the ILEC in the service area in which they compete. In addition, Oregon should ensure that ILECs have an appropriate cost recovery mechanism to offset this reduction in intrastate switched access revenues. In Step 2, if additional state support is needed, the OUSF would be transitioned to a broadband fund.

II. IS THE CURRENT OUSF WORKING?

In a telephone conference held on November 1, 2010, the Administrative Law Judge ("ALJ") informed parties that the Commission had a particular interest in the issues on the parties' issue list regarding how well the existing OUSF program is working and whether changes are needed. AT&T will address this first.

A number of commenters have pointed to the high penetration rate for telephone service in Oregon[1] to show that the OUSF has successfully accomplished its goal and is no longer needed;[2] whereas, other commenters argue that there is still a need for an OUSF.[3] AT&T

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[1] Verizon, page 1 (The penetration rate in Oregon is nearly 98% as compared to the national average of 96 percent.)

[2] Comcast, page 4 ("...Oregon has largely achieved the OUSF's original goal of ensuring access to basic telephone service at reasonable rates in the fifteen years since the fund's creation."); Verizon, page 4 ("...the OUSF is obsolete, unnecessary and should be eliminated – or at least substantially reduced.")

[3] Staff, page 2; Qwest, page 2; OTA, page 2.

believes that there continues to be a need for an OUSF in Oregon; however, changes to the OUSF are necessary. As discussed in its opening comments and again below, AT&T believes that the OUSF should be used as a transition tool to offset revenue reductions driven by reducing, and maintaining going forward, each ILEC's intrastate switched access rates to that company's corresponding interstate switched access rates and levels. While some commenters question the need to continue the OUSF, most parties recognize that due to the rural nature of some areas of the state, some limited support from the OUSF to decrease reliance on implicit subsidies will benefit the communications network in Oregon which in turn will lead to a more vibrant economy in the state. [4]

A number of commenters have pointed out that the OUSF has not been reviewed for an extended period of time 10 – 15 years.[5] During this time period there have been vast changes in technology and in competition in the telecommunications industry.[6] In addition, "the prices for total telephone service decreased 25.6% from 1998 to 2007, after adjusting for inflation; at the same time, the cost of all consumer items increased 25.2%"[7] While AT&T believes that the

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[4] OTA, page 45 ("The rural network in Oregon is a necessary component of providing universal service communications and economic development in Oregon, but needs support to continue.") OTA, page 19 ("...the rural communications network, as it exists today or in the future, cannot be built, operated, and maintained solely from revenue from the customers that live in the rural areas that are served by that network.") Staff, page 6 ("the development of an infrastructure that supports the growth of jobs throughout Oregon, the development of a network that ties together key institutions, and the transitioning of incumbent telecommunications companies that are seeking their support diminished while being impacted by federal-level policy changes.") Warm Springs, page 3 ("Whether it is for telephone or broadband, the cost of the networks and the delivery of service to the home are still far more expensive for rural providers than the urban/suburban provides.")

[5] Comcast, page 5 ("Despite changes in the marketplace, the OUSF has not been reviewed in the fifteen years following its inception.")

[6] Verizon, page 6 – 10.

[7] Verizon, page 11 (citations omitted).

OUSF should continue, steps need to be taken to restructure the OUSF to prepare Oregon for the transition to an all-broadband-world.

The OUSF support level in 2010 is projected to be about $44 million.[8] As described by Staff, since its inception, different requirements applied to the non-rural LECs and the rural LECs.

> For GTE (now Frontier) and US West (currently Qwest) the OUSF payments were used to reduce, and keep at the present level, selected business rates on a revenue neutral basis. Revenue neutral means that for every dollar the company received in support there was a dollar reduction in revenue as a result of price decreases.
>
> For the small companies, the OUSF payments were and are used to reduce the Carrier Common Line Charge (CCL) component of their intrastate access rates on a revenue neutral basis.[9]

The non-rural companies, Frontier (previously Verizon) and Qwest receive more than three quarters of the disbursements from the OUSF.[10] If the Commission does not want to increase the size of the OUSF when it implements the access reform suggested by AT&T,[11] the Commission should re-evaluate the policy of providing the non-rural companies with such a large proportion of the OUSF and then allowing these companies to use OUSF receipts to reduce business rates. In lieu of the total amount of OUSF support currently received by the non-rural LECs, the non-rural LECs should be allowed pricing flexibility to raise local retail rates, which

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[8] Verizon, page 14.

[9] Staff, page 3.

[10] Oregon Cable and Telecommunications Association ("OCTA"), page 2 ("In 2009, Qwest received $21,178,000, Verizon [Frontier] received $14,343,000...")

[11] Verizon, page 3 (citations omitted)("The NRRI USF Report shows that the OUSF is the sixth largest fund in the country based upon overall fund revenues and has one of the highest customer surcharge rates in the country.")

may include local retail residential or business rates, for any revenues that it is no longer able to draw from the fund.

The manner in which the access charge reductions were implemented for the rural companies is simply not working. Although OTA asserts that the existing OUSF has worked as proposed, that intrastate switched access charges are lower than they would be if the OUSF did not exist,[12] this is only part of the story. In fact, intrastate switched access rates have increased 89% since the initial reduction in the common carrier line ("CCL"). As such, the intent of the stipulation in Order No. 03-082, which allowed OTA companies to draw from the OUSF and offset these withdrawals with reduction of the CCL, is not being met. The Commission observed in Order No. 03-082 that, "[h]istorically, telecommunications rates have included many implicit subsidies of one service by other services. That approach is inconsistent with open competition... The universal service program is designed to reduce or eliminate implicit subsidies and instead use explicit subsidies for the services that need support."[13] By allowing the OTA companies to increase intrastate switched access rates by 89%, implicit subsidies have actually increased in Oregon since the small companies joined the OUSF. AT&T believes that the intrastate access reductions required of small companies was an important first step; however, more must be done to reduce access charges in Oregon. The small companies must be required to continually mirror intrastate access rates to interstate rate levels and structure going forward. Further, non-rural companies must also be required to reduce their intrastate switched access rates in the same manner.

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[12] OTA, page 2.

[13] Order No. 03-082; entered February 3, 2003.

III. INTRASTATE ACCESS REDUCTIONS

A. Intrastate Access Minutes are Declining and No Longer Represent a Sustainable Source of Revenue

It is undisputed that intrastate switched access minutes are declining at a rapid rate in Oregon.[14] OECA pool access minutes have declined from 248,239,095 in 2004 to a projected 126,642,515 in 2010.[15] Thus, it is very clear that access revenues no longer represent a stable or sustainable source of revenue for LECs. Frontier appears to agree with this assessment, "[i]ntrastate switched access revenues have been a key source of funding for recovery of costs, but are declining and will likely continue to do so for the foreseeable future."[16] Thus, Oregon must act now; otherwise, the same amount of revenue will be sought from a smaller base. This mirrors the observation made in the National Broadband Plan ("NBP"), "...fewer terminating minutes ultimately mean a smaller revenue base for intercarrier compensation...the current system is 'not sustainable' and could lead to a 'death spiral' as higher rates to offset declining minutes exacerbate arbitrate and non-payment."[17]

B. Intrastate Access Rates Must be Reformed Immediately and Revenues Made Up From Alternate Sources

The Commission must immediately move to stabilize local exchange service providers' revenue streams to facilitate the transition to broadband which should be done by reducing intrastate switched access rates and rate structure to interstate levels, requiring that the interstate

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[14] At one point in time there was a belief that access minutes may increase year over year. See *In the Matter of Investigation into Alternate Means of Intrastate Separation and Settlement*, Order, No. 93-113, page 5. (Limits switched access revenue requirements to the percentage growth of intrastate traffic sensitive access minutes from the prior year, or ten percent (10%), whichever is less.)

[15] OTA, page 5.

[16] Frontier, page 10.

[17] National Broadband Plan, page 142.

access rate levels and structure continue to be mirrored going forward, and ensuring that ILECs that are required to implement such changes have an appropriate cost recovery mechanism. Most commenters seem to agree that intrastate switched access reform must occur. As expressed by OTA, "[a]ccess reform is an integral part of USF reform. The two should be viewed as hand-in-glove."[18] Staff made a similar statement, "[a]s a practical matter, access reform cannot be separated from OUSF reform."[19]

In its opening comments, AT&T set forth a fair and rational plan for reduction of intrastate switched access rates in Oregon.[20] There are two main components: 1) all ILECs must reduce and maintain intrastate switched access rates that mirror the company's corresponding interstate switched access rate level and structure; and, 2) a statewide uniform retail rate benchmark for local retail rates should be established to determine how much of the ILEC access revenue reduction the ILEC would have the opportunity to recover from retail rates with the remainder to be drawn from the OUSF on a transitional basis.

Immediate reduction of intrastate switched access rates will lay the foundation for the transition to broadband and will provide numerous benefits to consumers in Oregon.[21] Like AT&T, Verizon in its opening comments listed a number of harms created by artificially high intrastate switched access rates, such as: it provides those carriers with a competitive advantage; distorts competition in the interexchange and local markets and harms consumers; deprives carriers of resources they could otherwise use to introduce new service, improve service quality, enhance their networks, or reduce rates; and, LECs are able to maintain local service rates at

[18] OTA, page 26.

[19] Staff, page 7. See also Verizon, page 18 (Verizon supports changes to intrastate access charges.)

[20] AT&T, pages 6-7.

[21] AT&T, pages 4-6.

artificially low levels which discourages competitive entry and denies consumers the benefits of competition.[22] Delaying reduction of intrastate switched access rates will only delay the mitigation of these harms.

Frontier argues that "a practical approach for carriers to stabilize revenues would be to give carriers the option of rebalancing switched access charges and basic service rates."[23] Intrastate switched access reductions must be mandatory, not optional. Anything less than mandatory intrastate switched access reductions will reduce the benefits for Oregon.[24]

While agreeing that there should be intrastate switched access reductions, Verizon proposes only lowering intrastate switched access rates to those charged by Qwest;[25]AT&T opposes this for a number of reasons. First, the NPB suggests that the first step is reducing intrastate switched access rates to interstate levels; reducing intrastate switched access rates to interstate levels now will make it easier to conform to the additional access reductions contemplated in the NBP. Indeed the NBP recommends that "the FCC should continue reducing ICC [intercarrier compensation] rates by phasing out per-minute rates for the origination and termination of telecommunications traffic.[26] Second, creating parity between a carrier's intrastate switched and interstate switched access rates will reduce incentives for intercarrier compensation arbitrage, including phantom traffic which OECA in a separate docket alleges is

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[22] Verizon, page 19.

[23] Frontier, page 3.

[24] See also Verizon, page 18 ("...the Commission should act promptly to reduce the most excessive access rates...")

[25] Verizon, page 18.

[26] NBP, page 150.

occurring. Third, it should be easier for the LECs to administer because they have already developed these interstate switched access rates.

C. OTA Companies Argue Against an Increase in Local Rates.

The OTA companies argue that "additional access reductions cannot be absorbed by increasing local rates or adding SLCs."[27] AT&T is not suggesting that all of the intrastate switched access rate reductions should be absorbed through local retail rates; instead, AT&T believes the Commission should allow local carriers the option of raising local rates to a certain affordable local retail rate benchmark and then for a transitional period the remainder of lost revenue should be available from the OUSF.[28] AT&T agrees with OTA that, "[a]ny benchmark should be one where a company has the option of increasing rates to that benchmark or imputing the revenue that would otherwise be raised by increasing the rates to a benchmark as part of calculating OUSF support amounts."[29]

Rebalancing of local rates as a way to make up for the lost subsidies from decreases in access revenues have been recognized as an important component of the NBP. The NBP "encourage[s] states to complete rebalancing of local rates to offset the impact of lost access revenues...[as] [d]oing so would encourage carriers and states to 'rebalance' rates to move away from artificially low $8 to $12 residential rates that represent old implicit subsidies to levels that are more consistent with costs."[30] Although rates for a number of carriers in Oregon are above

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[27] OTA, page 20. See also, OTA, page 7 (footnote omitted) ("Every OTA company would have local service rates exceeding $30 per month.")

[28] The rates set forth in OTA's chart in Tables 5 and 6 of its comments includes the federal subscriber line charge (SLC); AT&T believes it is inappropriate to include the SLC in a comparison of local rates.

[29] OTA, page 30.

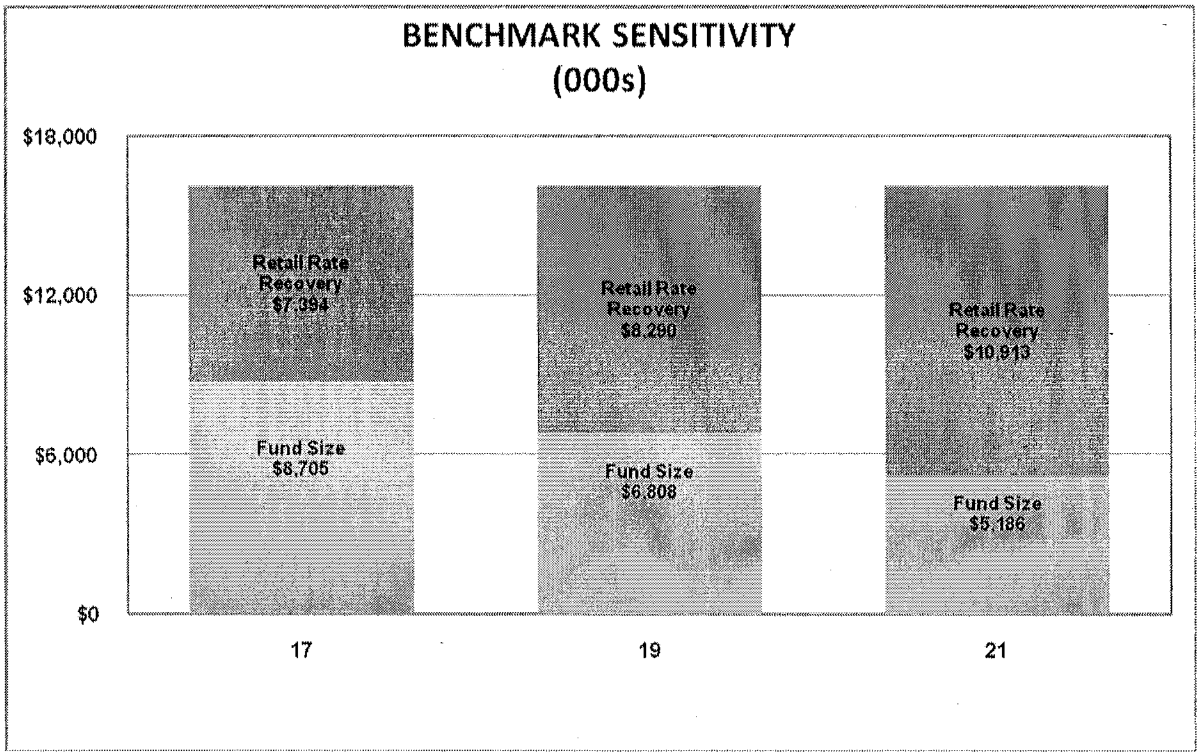
the rates cited by the FCC, there are still some carriers with very low rates such as the average Qwest residential retail rate of $13.80 and Frontier, $12.67.

AT&T's benchmark approach is consistent with TRACER's comment urging "the Commission to require the carriers to look first to their own customers to fund these necessary changes before turning to other telecommunications consumers."[31] However, it is balanced with the need to provide carriers with funding from the OUSF for a transitional period until the carriers can readjust business plans to recover these lost revenues from consumers.

D. Amount of OUSF Support Needed For Intrastate Switched Access Reform

AT&T has attempted to quantify for the Commission, the amount of OUSF needed for the reduction of intrastate switched access rates to interstate rate levels and structure. These figures are estimates from publicly derived data and some confidential AT&T data. More precise figures could be calculated if information were provided by all local exchange carriers in Oregon.

[31] TRACER, page 15.



There are three interrelated components that must be addressed to ensure universal service in the state of Oregon: 1) reducing intrastate switched access rates; 2) rebalancing of local rates up to a statewide retail rate benchmark; and, 3) allowing some funds to be drawn from the OUSF on a transitional basis to recover for lost access revenues. These three components can be thought of as three dials that inversely impact each other. For example, if carriers are required to reduce intrastate access rates to interstate levels and a statewide local retail rate benchmark is set at $21,[32] the total OUSF support needed will be relatively small (approximately $5.2 million). Conversely, if the statewide local retail rate benchmark is set relatively low, $17, then the OUSF support would increase (approximately $8.7 million). The above chart highlights this relationship.

While TRACER does not seem to oppose access reform, it mistakenly states that "it should be remembered that those access charges in fact are imposed on those carriers that

[32] The local retail rate does not include the subscriber line charge.

actually use the ILECs high-cost networks. By switching the responsibility for recovery of the high costs of these ILEC networks to all carriers, and their customers, without regard to whether or to what extent they use the high-cost networks, the Commission will be removing an important economic signal and force for efficiency for those network providers…"[33] High intrastate switched access charges do not represent cost, but instead are a form of a universal service subsidy. 47 U.S.C. § 254(b)(4) requires that universal service policy be guided by a state to the principle that *all* providers of telecommunications services should make equitable and nondiscriminatory contributions to universal service, and § 254(f) further requires that every telecommunications carrier that providers intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to universal service in the state. Congressional requirements notwithstanding, it is also unfair and inequitable to impose these support obligations on only a limited segment of the communications industry as this disadvantages the industry segment that must pay the charges and distorts the marketplace. Further, as described above, the base on which these access subsidies are assessed, intrastate switched access minutes of use, are rapidly declining; therefore, this subsidy mechanism is neither stable nor sustainable.

E. Intrastate Access Rates Must Be Reduced Immediately

A number of commenters agree with AT&T that the status quo should not be retained,[34] including Staff which believes that the Commission should start making changes to the OUSF

[33] TRACER, page 15.

[34] OTA, pages 20-21 ("As the record shows, the status quo is not acceptable. The FCC is tied up with what may be years of debate. Waiting for the FCC to act is dangerous for the continued evolution, operation and maintenance of a viable and vital communications network serving rural Oregon.")

sooner rather than later.[35] Indeed, there is no need for Oregon to wait for FCC action to implement Step 1 as the intrastate switched access reform proposed by AT&T simply tracks the reforms that the FCC has already implemented for interstate switched access rates.[36] This is endorsed by the NBP which invites states to take straightforward action, "[t]he FCC should also encourage states to complete the rebalancing of local rates to offset the impact of lost access revenues."[37] As such, the Commission should act quickly to develop a comprehensive plan to address intrastate switched access reform.

Whatever the merit the access regime once may have held in the era of monopoly telecommunications, it has long since outlived that usefulness in today's radically changed market. Perversely, this mechanism which was once conceived as a means of protecting consumers instead harms them by forcing consumers across Oregon to pay more for their telecommunications services. In sum, high switched access rates create real problems for Oregonians. The resolution of these problems can only occur if high intrastate switched access rates of all carriers in Oregon are reduced. The only way for Oregon to have a vibrant broadband network, is to engage in access reform today.

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[35] Staff, page 3.

[36] See AT&T, page 13.

[37] NBP, page 148.

IV. A NUMBER OF ISSUES SHOULD BE RESOLVED BEFORE OREGON DETERMINES WHETHER TO TRANSITION THE OUSF TO A BROADBAND FUND

As an initial matter, commenters seem to agree that transitioning the OUSF to a broadband fund would require a legislative change.[38] Further, most parties recognize that there are currently too many unknowns regarding broadband funding from the federal level.[39] In addition, Oregon must also determine the areas of the state that will not have access to broadband in the near future.[40] While AT&T believes that Oregon should position itself to take full advantage of any benefits offered by the FCC for broadband availability and adoption, until the FCC establishes the rules for the CAF and/or Mobility Fund that are contemplated in the National Broadband Plan ("NBP"), Oregon cannot determine whether or the extent to which OUSF support will be needed for broadband and, if so, what changes will be necessary, and what type(s) of support should be provided. AT&T agrees with Verizon that information about how the FCC will implement its National Broadband Plan proposals "will likely have a major impact

[38] AT&T, page 8 (The Commission may need additional authority from the legislature to transform the OUSF into a broadband fund which AT&T does not oppose.) Staff, page 3 ("...it would require a statutory change to allow the OUSF to support broadband services.") Verizon, page 15 (internal citations omitted) ("[e]xpanding the scope of the services supported by the OUSF would require legislative approval...") OTA, page 18 ("...give the Commission authority to transition the existing fund to a fund that supports broadband over time. As the PSTN becomes the PBN, it seems logical that the supporting mechanism should change to reflect that changing environment.")

[39] Comcast, page 3 ("Once the FCC broadband funding proceedings are complete, the Commission will have the information necessary to decide whether additional broadband funding is necessary, and suggest an approach targeted at complementing the FCC mechanisms.") OCTA, page 4 (It is premature to begin a new broadband OUSF program.) Qwest, page 2-3("...it is premature for the states to develop complementary systems [for broadband] to enhance and cover gaps that result from the implementation of the new federal programs.") TRACER, page 5 ("TRACER believes it would be premature for the Commission to try to develop any proposal for state funding of broadband deployment until the FCC determines exactly what it intends to do.") See also Verizon, page 16.

[40] Qwest, page 2-3 ("...if broadband is to be considered a supported service, the results of the broadband mapping process are vital components in the consideration of where support might be required.") TRACER, page 5 (The Commission should also wait until it can determine exactly where BB facilities have been deployed and how the ARRA funding is implemented.) CUB, page 4-5 (It is in the best interest of the Commission and the parties to delay making final recommendations on broadband funding from the OUSF until amount of broadband funding has been determined at the federal level.)

on appropriate state actions. If there is any need for additional state funding, it will become apparent only after the FCC determines how it will implement the NBP."[41] As pointed out by CUB, it may be that the OUSF should fund access to broadband (e.g. subsidy for low-income individuals) instead of deployment; however, this will only become clear after the federal government has acted.[42] For these reasons, AT&T noted in its opening comments that it did not oppose the Commission receiving additional authority from the Legislature to transition the OUSF to a broadband fund, but that it should not transition the OUSF to a broadband fund, if one is even needed, until after a number of questions around broadband funding and availability have been resolved. OTA also advocates that the Commission should be given the tools to transition the OUSF to a broadband fund over time.[43]

V. CONTRIBUTIONS TO OUSF

The OUSF contribution methodology should continue to mirror the FCC's methodology of assessing as a percentage of telecommunications retail revenues. This ensures national uniformity and lessens the burden of the OUSF on contributors.[44] A number of commenters

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[41] Verizon, page 16.

[42] CUB, page 5 ("Whether a fund should focus on the development of broadband networks or should focus on reducing the cost of broadband for low income individuals, however, is not entirely clear. It makes sense for Oregon to wait until the federal role is determined and the plans for the current required investment are made clear before such a program is designed.")

[43] OTA, page 20.

[44] While stating that it would like to see a revenue-based calculation of the USF assessment, CUB makes a comment that since many carriers offer flat rate plans that would make the calculation difficult. (See CUB, page 6.) AT&T recommends that Oregon handle this in the same manner the FCC for wireless and VoIP service. The FCC has established a safe harbor percentage for revenues that a carrier would consider interstate or international, thus subject to the federal USF, and those that are intrastate. Alternatively, the FCC has allowed carriers to conduct their own studies to determine the percentage of revenue that is interstate/international and that which is intrastate.

seem to agree with this approach.[45] TRACER, on the other hand, recommends that the basis for OUSF contributions should be the relative ability to make simultaneous outwards calls to the PSTN and cites to the WA E-911 funding scheme for what should be adopted in Oregon for OUSF assessments.[46] AT&T does not believe there should be a change to the current OUSF assessment methodology, intrastate retail telecommunications revenues, unless and until changes are made to the federal universal service fund ("USF") contribution methodology. Proposals to change the federal USF contribution methodology have long been pending before the FCC.[47] Until the FCC actually changes the methodology for the federal USF contributions, the OUSF contributions should continue to be based on intrastate telecommunications retail revenues, consistent with the existing federal methodology. At that time, the Commission can initiate a proceeding to consider what changes, if any, should be made at the state level.

OTA argues that if further access reform is implemented using the OUSF, "that might make the surcharge an unacceptable percentage of intrastate telecommunications revenues from those that contribute into the fund."[48] Verizon similarly commented that, "[t]his Commission

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[45] See CUB comments, page 6. OTA, page 42 ("...OTA is cognizant that there is some support for moving from a revenue based contribution methodology to some other methodology such as working telephone numbers. If such a change is made at the federal level, the Commission should have the tool's available to it to make a similar change at the state level.")

[46] TRACER, page 12-13.

[47] Most recently, in October 2008, the FCC proposed and sought comments on such a methodology. *See* Order on Remand & Report and Order & Further Notice of Proposed Rulemaking, *In the Matter of High-Cost Universal Service Support*, WC Docket No. 05-337, *Federal State Joint Board on Universal Service*, CC Docket No. 96-45 *Lifeline and Link Up*, WC Docket No. 03-109, *Universal Service Contribution Methodology*, WC Docket No. 06-122, *Numbering Resource Optimization*, CC Docket No. 99-200, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Intercarrier Compensation for ISP-Bound Traffic, IP-Enabled Services*, CC Docket No. 99-68, *IP-Enabled Services*, WC Docket No. 04-36, FCC 08-262, Appendices A (Chairman's Draft Proposal), B (Narrow Universal Service Reform Proposal) & C (Alternative Proposal)(FCC released November 5, 2008).

[48] OTA, page 17.

must consider the consumer impact of potentially expanding the size of the OUSF, which would increase a state surcharge imposed on Oregon consumers that is already one of the highest in the country." [49] One way to decrease the state surcharge for the OUSF would be to expand the contribution base in an equitable, non-discriminatory, and competitively neutral manner. As long as the Oregon Commission adopts access reform as recommended by AT&T, such that there are sufficient overall benefits for AT&T's customers, AT&T would not oppose the suggestion of some commenters[50] that wireless carriers and interconnected VoIP providers[51] pay into the state universal service fund. Such a change to the contribution base, however, would require a statutory change.

VI. OTHER ITEMS

A. Structure of the OUSF:

A number of commenters focused on the structure of the OUSF – whether there should be a separate broadband fund, or an umbrella fund with several sub-funds, similar in structure to the

[49] Verizon, page 13.

[50] OTA, page 18 ("The contribution base should be as broad as possible so that all carriers, of every type, including wireless and VoIP-based, that use the PSTN/PBN [public broadband network] for the delivery of service should contribute to its support.") Frontier, page 3 (OUSF should be broadly applied to all voice services, including wireless, VoIP, and CATV voice.) Warm Springs, page 7 ("All telecommunications service providers, including wireline, wireless, cable operators, should be required to pay into the fund. Each customer will be charged the same per line as all other customers, and this should go into an OUSF fund.") CUB, page 6 (Encourages the Commission to use its authority to include wireless, VoIP, cable and other providers of voice telecommunications service to make contributions to the Oregon USF.) Staff, page 20 (Wireless customers and customers using receiving communications service from VoIP or any other type of provider should all contribute to the OUSF.) CenturyLink, page 9 ("[a]ll providers should participate in the funding process.") See also Tracer which seems to support some expansion of the contribution base, although in a slightly different manner, page 12.

[51] In its opening comments, AT&T noted that the Oregon could not expand the contribution base to include interconnected VoIP until there was clarification from the FCC that states were not preempted from doing so. The FCC recently provided such clarification. See *In the Matter of Universal Service Contribution Methodology, Petition of Nebraska Public Service Commission and Kansas Corporation Commission for Declaratory Ruling or, in the Alternative, Adoption of Rule Declaring that State Universal Service Funds May Assess Nomadic VoIP Intrastate Revenues,* WC Docket No. 06-122, FCC 10-185, Order, (rel. November 5, 2010).

FCC.[52] AT&T does not oppose a fund structure similar to that at the FCC. AT&T agrees with Staff that this would create administrative efficiencies as there would only be a single fee paid into the fund.[53]

B. Limit Size of the OUSF:

Although there seems to be different opinions on whether the size of the OSF should be limited,[54] a number of commenters believe that there should only be one OUSF recipient per geographic area. In order to keep the size of the fund as small as possible, AT&T agrees that there should only be one recipient of OUSF per geographic area. Further, AT&T agrees with those commenters[55] that advocate recipients of OUSF funding should accept minimum service obligations (such as COLR-type obligations) in the funded area.

VII. CONCLUSION

A smooth transition to an all-broadband-world requires a two step process. Oregon should act now to reduce intrastate switched access rates to interstate rate levels and structure and to mirror such interstate rate levels and structure going forward. Further decisions need to be made at the federal level regarding broadband support before Oregon can determine whether a state

[52] Staff believes that there should only be one USF with funds operating under that general umbrella. Staff, page 3.

[53] Staff, page 3.

[54] OTA, page 29 ("OTA believes that it is not appropriate to put a stated limit on the size of the OUSF.") Warm Springs, page 4 ("No ceiling or maximum should be established without understanding the actual cost of provisioning service.") CenturyLink, page 9 ("[f]unding should only be provided to one provider per area and areas that are overwhelmingly subject to competition from an unsubsidized competitor should be ineligible for funding support.")

[55] OTA, page 35 ("If an entity is to receive OUSF, it should make the commitment to provide service to all customers it can reasonably serve, consistent with the Commission's line extension and other established policies.") CenturyLink, page 9 ("Providers that receive funding much accept the COLR obligation in the funded area.")

broadband fund will be necessary and the specifics required for a transition to broadband support.

DATED this 23rd day of November 2010.

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Holdings, Inc. dba TCO Oregon, and New Cingular
Wireless PCS, LLC

CERTIFICATE OF SERVICE
UM 1481

I hereby certify that on the 23rd day of November, 2010, I served the foregoing Comments by AT&T in the above entitled docket on the following persons via U.S. Mail, by mailing a correct copy to them in a sealed envelope, with postage prepaid, addressed to them at the address shown below, or via email only if the service list indicates such persons waive paper service.

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(W) = Waive Paper Service

DATED this 23rd day of November, 2010

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By: ______________________

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