

OREGON CABLE

TELECOMMUNICATIONS ASSOCIATION

November 23, 2010

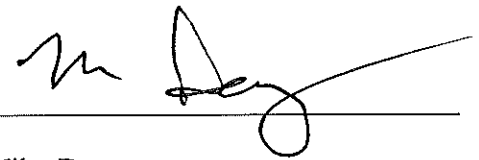
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Filing Center
Oregon Public Utility Commission
PO Box 2148
Salem, OR 97308-2148

Re: UM 1481 – Closing Comments from OCTA

Enclosed for filing in the above mentioned docket are the Oregon Cable Telecommunication Association's closing comments and a certificate of service.

Please do not hesitate to contact me with any questions.



Mike Dewey
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Enclosure

cc: Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON Staff Investigation of the Oregon
Universal Fund.

UM 1481

**COMMENTS OF THE
OREGON CABLE TELECOMMUNICATIONS ASSOCIATION**

November 23, 2010

The Oregon Cable Telecommunications Association (OCTA) appreciates the opportunity to submit comments in the second and final filing on OPUC docket UM 1481.

Based on the information provided on the telephone conference call with Judge Pines on November 1, 2010, OCTA will primarily address Questions 5 through 13 from the issues list, **THE CURRENT OUSF**.

The primary focus of OCTA's initial filing in this docket addressed the Current OUSF, recommending a thorough review of the current OUSF program. OCTA said, "OCTA recommends that the Commission initiate a complete review and audit of the current OUSF program." Since the OUSF program was established fifteen (15) years ago, and there have been significant changes in the telecommunications landscape and services, a review of the program is appropriate, which will help guide the Commission and interested parties in modifying the program, if necessary. And, as Verizon noted in their filing, "the OUSF is the sixth largest in the country and has one of the highest customer surcharge in the country." The size of the fund should be considered, especially since the FCC is reviewing the federal USF program.

OCTA comments on questions 5 through 13:

5. Has the current OUSF met the statutory goal found in ORS 759.425 of ensuring basic telephone service is available at reasonable and affordable rates?

This question helps establish the basis for a review of the current OUSF.

One should not assume that reasonable and affordable rates as established fifteen years ago are reasonable and affordable today. Generally, local telephone rates are going down, not up, and long distance rates have decreased substantially as a result of competition?

OCTA believes there should be a process to define reasonable and affordable rates, especially since some telephone customers also have a telecommunications package, including video and Internet services.

Staff also addresses this question in part by discussing how the current OUSF program makes rates affordable.

6. Should 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?

The Commission should begin a review of the current OUSF. The Commission should not begin an investigation of expanding the OUSF program until direction from the FCC is provided.

7. What services should be supported as basic telephone service in 2010?

OCTA supports an investigation or discussion as to the appropriate services.

8. Should OUSF support all lines? If not what lines should be supported?

The infrastructure by which telecommunications services are delivered has changed since the beginning of the OUSF, and as such, the support structure needs to be reviewed.

9. What is the reasonable and affordable rate for basic telephone service in 2010? Should the Commission revisit the current benchmark rate for basic telephone service?

OCTA agrees with staff comments to this question. Since the revenue model for companies receiving OUSF support has changed considerably, the use of a "benchmark" may not be appropriate or relevant.

10. The 2003 order implementing small carriers to draw from the OUSF contemplated that the fund would be used to offset access reductions. Has such an offset occurred? If not, why not?

OCTA agrees with staff that small carriers have reduced access charges. Although, since the 2003 Order, the telecommunications marketplace is now different, with more companies and different technologies, which changes the entire access debate. AT&T provides a thorough review of how access charges have changed as a result of changes in regulations and emerging technologies and concurrent competition.

11. Is the OUSF money currently provided to companies spent for the intended purpose of the fund?

OCTA agrees with Staff as to small companies, and reiterates Staff's comment that "for the two large companies the Commission currently has no effective way to determine how the money has been spent." Since the Commission does not know how the two large companies have spent OUSF funds, with the potential for Oregon USF dollars to be exported out of state, the issue of transparency needs to be resolved.

12. How does the Commission insure that the OUSF money provided to companies is spent for the intended purposes? Is documentation required? Is a report required? Is an attestation required? Is documentation currently subject to audit and, in fact audited?

OCTA believes the OUSF program should change to ensure a more limited program, with a focus on important projects, and how to best audit investments will depend in part on the scope of a new OUSF. Companies receiving OUSF support are not likely to balk at providing documentation as to how moneys have been allocated.

13. Can the Commission verify today that the OUSF money provided to companies has historically been spent for the intended purposes?

Same response as to Question 12.

OTHER OBSERVATIONS AND RECOMMENDATIONS

OCTA's comments will continue to focus on the current OUSF.

*** The Commission has a unique opportunity to examine the current OUSF and make major changes, with the possibility of reducing the fund based on strategic investments in narrowband services to high costs areas. With the purchase of Verizon assets by Frontier, and CenturyLink's announced purchase of Qwest, and since Staff recognizes the Commission has not been able to adequately audit and monitor how the large incumbent telephone companies have invested funds, an overall review of the current program is justified. As staff notes in their response to Question 8, there needs to be changes to how the program currently functions on the support side.

Staff also recognizes in Question 16, there needs to be "clearly stated goals." Furthermore, staff notes in Question 29, revenues not considered since the inception of the fund, such as DSL, should be used to reduce revenue requirements.

*** OCTA believes as the current OUSF revenues are reduced, there should be revenues available to fund specific broadband projects in unserved areas, and potentially underserved areas, depending on how the support mechanism and program is implemented. As staff notes, there is a need to connect anchor institutions in low density, high cost areas, which could be provided by competitive local exchange carriers, rather than through legacy networks.

*** Another advantage of reviewing the current OUSF is to ensure inefficient companies or networks are not supported. Where there is telecommunication service competition, companies with implicit subsidies are less motivated to find cost savings to remain competitive.

Thank you for considering OCTA comments.

Submitted this 23rd day of November, 2010

By: _____


Mike Dewey
Executive Director, OCTA

**CERTIFICATE OF SERVICE
UM 1481**

I hereby certify that the attached Comments from the Oregon Cable Telecommunications Association (OCTA) were served on November 23, 2010, by U.S. Mail and electronic email, unless otherwise specified, to the following parties:

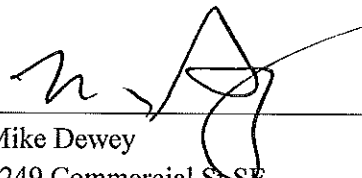
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DATED this 23rd day of November, 2010

Oregon Cable Telecommunications Association

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