

March 9, 2011

Oregon Public Utility Commission  
Attn: Filing Center  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

Re: UM-1481 – TRACER's Response to Qwest/Frontier Motion for Reconsideration  
and Stay of Order No. 10-496

To the Commission:

Enclosed for filing please find an original and two copies of TRACER's Response to  
Qwest/Frontier Motion for Reconsideration and Stay of Order No. 10-496.

Very truly yours,

ATER WYNNE LLP



Susan Carpenter  
Assistant to Arthur A. Butler

Enclosures  
cc: Parties of Record

1160607/1/AAB/103788-0001

**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

**TRACER'S RESPONSE TO  
QWEST/FRONTIER MOTION FOR  
RECONSIDERATION AND STAY OF  
ORDER NO. 10-496**

The Oregon Telecommunications Ratepayers Association for Cost-based and Equitable Rates (hereinafter TRACER) hereby submits its response to the Qwest Corporation ("Qwest") and Frontier Communications Northwest Inc. ("Frontier") Motion for Reconsideration and Stay of Order No. 10-496 ("Order") in the above the captioned docket.

In their motion Qwest and Frontier seek reconsideration and stay of the portions of the Order that require "that interim measures should be adopted for non-rural companies to further promote [Oregon Universal Service Fund] transparency and accountability," "that non-rural companies may only use OUSF distributions for investment in infrastructure or maintenance, such as new investment or investment associated with repairs and maintenance," and that "non-rural companies, just, beginning March 1, 2011, submit semiannual reports to show that the funds were used in areas with demonstrably higher installation and maintenance costs (i.e., supported wire centers) as compared to the remaining wire centers (i.e., unsupported wire centers." Order, at p. 3.

The movants claim that there was insufficient due process for these portions of the Order in that this proceeding was allegedly not noticed as a docket in which changes to the purpose of the OUSF would be considered and there was no evidentiary record developed upon which to base such changes to the OUSF. The movants also claim that the Order is substantively inconsistent with the Commission order that was the genesis of the OUSF (Order No. 00-312, UM 731 Phase IV).

TRACER disagrees. First, there is no need for an evidentiary proceeding here. The Commission can take notice of the fact that non-rural companies do not file any report that allows the Commission to determine how the OUSF money the companies receive is spent. See Staff Opening Comments, Response to Issue 12. Basic principles of transparency and accountability demand that the Commission be able to verify that the OUSF distributions are used as intended.

Second, a requirement that the non-rural companies demonstrate that the OUSF money they receive is actually used to support service in high-cost areas is entirely consistent with the Commission order implementing the OUSF.

Historically, service in high-cost areas was supported by a complex web of implicit subsidies from long-distance to local service, from business to residential, and from urban and suburban to rural areas. The breakup of the former Bell System, growing competition, and the Telecommunications Act of 1996 (1996 Act) have led to the need to replace some of these implicit subsidies with more explicit ones in the form of federal and state universal service funds.

The OUSF was adopted and implemented to replace implicit subsidies in switched access charges of the rural ILECs and implicit subsidies in business rates charged by Qwest and Verizon (now Frontier). The movants acknowledge this in their motion when they state “the purpose of the OUSF is the transfer of implicit support to explicit support. . .” Qwest/Frontier

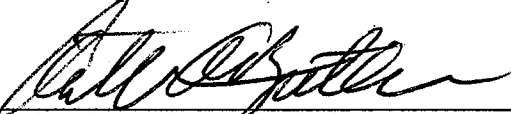
Motion, at p. 2. That means that the monies from the OUSF are supposed to go directly to support the provision of basic voice service in high-cost areas.

The fact that the non-rural companies were required to make a revenue-neutral filing when they started to receive OUSF support does not mean that the OUSF was intended as a “make whole” mechanism for those carriers. Had implicit subsidies in Qwest’s and Verizon’s (now Frontier’s) business rates not been reduced, the new OUSF funds would have resulted in a windfall for the incumbents. The purpose of the revenue-neutral filings was not to be a “make-whole” mechanism but was to prevent this being a windfall. The requirement to show the funds are used to provide service in high-cost areas is entirely consistent with the purpose of the OUSF and the Commission’s order implementing it.

For these reasons TRACER urges the Commission to deny the Motion.

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By



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**CERTIFICATE OF SERVICE**

I hereby certify that I have this 9th day of March, 2011, served the foregoing along with the correct number of copies, of the foregoing **TRACER'S RESPONSE TO QWEST/FRONTIER MOTION FOR RECONSIDERATION AND STAY OF ORDER NO. 10-496** in docket UM 1481 upon each party listed in the UM 1481 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending 2 copies by U.S. mail, postage prepaid to the Commission's Salem offices.

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I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

DATED this 9th day of March, 2011, at Seattle, Washington.

  
\_\_\_\_\_