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February 8, 2006

VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

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

Re: UM 1217 – Reply Testimony of Brant Wolf and Reply Testimony of
Larry B. Mason

Dear Sir/Madam:

Enclosed are the original and five copies of the Reply Testimony of Brant
Wolf, Reply Testimony of Larry B. Mason and Certificate of Service.

Sincerely,



RICHARD A. FINNIGAN

RAF/km
Enclosures

cc: Service List (w/encl., via e-mail and U.S. mail)
ALJ Michael Grant (w/encl., via e-mail and U.S. mail)
Brant Wolf (w/encl., via e-mail)
Larry Mason (w/encl., via e-mail)

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION)	Docket No. UM 1217
OF OREGON)	
)	
Staff Investigation to Establish)	
Requirements for Initial Designation)	
And Recertification of Telecommunications)	
Carriers Eligible to Receive Federal)	
Universal Service Support.)	

REPLY TESTIMONY OF
BRANT WOLF
ON BEHALF OF
OREGON TELECOMMUNICATIONS ASSOCIATION

February 8, 2006

1 **Q. PLEASE STATE YOUR NAME AND GIVE US YOUR BUSINESS**
2 **ADDRESS.**

3 A. My name is Brant Wolf and my business address is 707 13th Street SE, Suite 280,
4 Salem, OR 97301-4036.

5

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIONY IN THIS DOCKET?**

7 A. Yes, I filed direct testimony.

8

9 **Q. WHAT IS THE PURPOSE OF THIS REPLY TESTIMONY?**

10 A. I will reply to Commission Staff witness Ms. Marinon on the issue of additional
11 standards that should apply for ETC designation, specifically quality of service rules.
12 Secondly, I will clarify OTA's position on the required build-out plan for competitive
13 eligible telecommunications carriers or CETCs.

14

15 **Q. WHAT IS OTA'S POSITION ON ADDITIONAL STANDARDS RELATED**
16 **TO QUALITY OF SERVICE?**

17 A. OTA's position is that quality of service standards should apply where the
18 standards make sense. A consumer should not receive a lower quality of service simply
19 because they are served by a competitive ETC compared to an incumbent ETC. If the
20 purpose, at least in part, of the federal universal service fund is to ensure that "quality
21 services are available at just, reasonable and affordable rates," then it would seem logical
22 that a quality of service standard should apply. In addition, to the extent one of the
23 purposes of the federal universal service fund is to see that consumers in rural and high-
24 cost areas have access to telecommunications services that are comparable to those

1 provided in urban areas, then again it seems logical that a quality of service standard
2 should apply.

3 The Oregon Commission has determined that just because an entity is a
4 competitor does not mean that it should not provide quality service. To this end, the
5 Commission has adopted quality of service standards for competitive companies. These
6 quality of service standards should apply to competitive ETCs.

7 I am aware that Arizona has proposed similar requirements. The case is In the
8 Matter of the Application of WWC License LLC (Western Wireless Corporation) for
9 Designation as an Eligible Telecommunications Carrier and Redefinition of Rural
10 Telephone Company Service Area, Arizona Corporation Commission, Docket No. T-
11 04248A-04-0239, Recommended Order (2005). In particular, the service quality rules
12 that are discussed in the case are attached as OTA/6.

13

14 **Q. PLEASE IDENTIFY THE QUALITY OF SERVICE STANDARDS THAT**
15 **SHOULD APPLY TO COMPETITIVE ETCs.**

16 A. As stated in my pre-filed testimony, the provisioning and held order requirements
17 should apply. The held orders for lack of facilities is equivalent to what is already
18 contained in the FCC's recommended standards for providing reports upon failure to
19 meet service requests within the area for which an ETC is designated.

20 In addition, trouble reports as set forth in OAR 860-032-0012(5) should be
21 provided. Rather than using "total working access lines within a reporting wire center,"
22 the standard should be per number of hand sets issued with an NPA/NXX for the area in
23 which the applicant seeks designation as an ETC.

1 The related standard for repair clearing time in OAR 860-032-0012(6) should
2 apply.

3 An equivalent standard for blocked calls as set forth in OAR 860-032-0012(7)
4 should apply. This equivalent standard should be based upon cell site as the metric. The
5 ETC should report the extent to which wireless customers are denied call completion
6 because the cell site lacks capacity to complete the call or associated trunking facilities
7 are full.

8 The requirements related to access to business office and repair centers as set forth
9 in OAR 860-032-0012(8) should apply. The standards related to switching equipment
10 contained in OAR 860-032-0012(11) should apply.

11

12 **Q. YOU STATED THAT YOU WOULD LIKE TO CLARIFY OTA'S**
13 **POSITION ON THE BUILD-OUT PLAN THAT WOULD APPLY TO**
14 **COMPETITIVE ETCS?**

15 A. Yes. After reviewing Commission Staff witness Ms. Marinos' draft Testimony,
16 OTA agrees with the position taken by Commission Staff. OTA believes that it is
17 reasonable that a detailed two year build-out plan be provided by the CETC, showing the
18 planned use of federal USF funds over the two year projection. There should still be an
19 additional demonstration, at least on a conceptual basis, for an additional three years
20 explaining where the CETC expects investments to be made and the nature of those
21 investments.

22 Although OTA is aware of states that are looking at five year build-out plans on a
23 detailed basis, OTA believes the Commission Staff position represents a reasonable
24 compromise.

1

2 **Q. DOES OTA TAKE THE POSITION THAT THE BUILD-OUT PLANS**
3 **SHOULD APPLY TO RECERTIFICATION OF INCUMBENT ETCs?**

4 A. No. Incumbent ETCs have already expended the funds for investment for which
5 they are being reimbursed under the federal USF mechanism. Incumbents support their
6 investment through the submission of detailed cost studies. Competitive ETCs receive
7 support based upon the incumbent's level of cost on a per-line level, not the competitive
8 ETCs' own prior investment. CETCs do not submit cost studies for review. Therefore, it
9 is appropriate for competitive ETCs to demonstrate how they will use USF funds to make
10 investments. The incumbent ETC has already made this demonstration through the
11 investment it has made and the supporting cost studies it has filed.

12

13 **Q. DOES THAT COMPLETE YOUR REPLY TESTIMONY?**

14 A. Yes, at this time.

15

R14-2-503. Establishment of service

A. Information from new applicants

1. A utility may obtain the following minimum information from each new applicant for service:
 - a. Name or names of applicant(s).
 - b. Service address or location and telephone number
 - c. Billing address, if different than service address.
 - d. Address and telephone number where service was provided previously.
 - e. Date applicant will be ready for service.
 - f. Indication of whether premises have been supplied with telephone utility service previously.
 - g. Class of service to be provided.
 - h. Indication of whether applicant is owner or tenant of or agent for the premises.
2. A utility may require a new applicant for service to appear at the utility's designated place of business to produce proof of identity and sign the utility's application form.
3. Where service is requested by two or more individuals the utility shall have the right to collect the full amount owed to the utility from any one of the applicants.

B. Deposits

1. A utility shall not require a deposit from a new applicant for residential service if the applicant is able to meet any of the following requirements:
 - a. The applicant has had continuous telephone service of a comparable nature with the utility at another service location within the past two years and was not delinquent in payment more than once during the last 12 consecutive months or disconnected for nonpayment.
 - b. The applicant can produce a letter regarding credit or verification from a telephone utility where service of a comparable nature was last received which states:
 - i. Applicant had a timely payment history at time of service discontinuation.
 - ii. Applicant has no outstanding liability from prior service.
 - c. In lieu of a deposit, a new applicant may provide a Letter of Guarantee from an existing customer with service who is acceptable to the utility or a surety bond as security for the utility. The utility shall review and release an existing customer as a guarantor for the new applicant after 12 consecutive months if no obligations are delinquent and has maintained a timely payment history.
2. The utility shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the utility's records.
3. Deposits shall be interest bearing; the interest rate and method of calculation shall be filed with and approved by the Commission in a tariff proceeding.
4. Each utility shall file a deposit refund policy with the Commission, subject to Commission review and approval during a tariff proceeding. However, each utility's refund policy shall include provisions for residential deposits and accrued interest to be refunded after 12 months of service if the customer has not been delinquent in the payment of utility bills or applied to the closing bill upon discontinuance of service.
5. A utility may require a residential customer to establish a deposit if the customer becomes delinquent in the payment of two or more bills within a 12-consecutive-month period or has been disconnected for service during the last 12 months.

6. The amount of a deposit required by the utility shall be determined according to the following terms:
 - a. Residential customer deposits shall not exceed two times that customer's estimated average monthly bill or the average monthly bill for the customer class for that customer which ever is greater.
 - b. Nonresidential customer deposits shall not exceed 2 1/2 times that customer's estimated maximum monthly bill.
 7. The utility may review the customer's usage after service has been connected and adjust the deposit amount based upon the customer's actual usage.
- C. Grounds for refusal of service. A utility may refuse to establish service if any of the following conditions exist:
1. The applicant has an outstanding amount due for similar utility services and the applicant is unwilling to make acceptable arrangements with the utility for payment.
 2. A condition exists which in the utility's judgment is unsafe or hazardous to the applicant, the general population, or the utility's personnel or facilities.
 3. Refusal by the applicant to provide the utility with a deposit when the customer has failed to meet the credit criteria for waiver of deposit requirements.
 4. Customer is known to be in violation of the utility's tariffs filed with the Commission.
 5. Failure of the customer to furnish such funds, suitable facilities, and/or rights-of-way necessary to serve the customer and which have been specified by the utility as a condition for providing service.
 6. Applicant falsifies his or her identity for the purpose of obtaining service.
- D. Service establishments, re-establishments or reconnection charge
1. Each utility may make a charge as approved by the Commission for the establishment, reestablishment, or reconnection of utility services.
 2. Should service be established during a period other than regular working hours at the customer's request, the customer may be required to pay an after-hour charge for the service connection.
 3. For the purpose of this rule, service establishments are where the customer's and utility's facilities are ready and acceptable.
- E. Temporary service
1. Applicants for temporary service may be required to pay the utility, in advance of service establishment, the funds provided under the terms of a construction agreement or the cost of installing and removing the facilities necessary for furnishing the desired service.
 2. Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.
 3. If at any time the character of a temporary customer's operations changes so that in the opinion of the utility the customer is classified as permanent, the terms of the utility's construction agreement or tariff shall apply.

Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

R14-2-504. Minimum customer information requirements

A. Information for residential customers

1. Each utility shall make available upon customer request not later than 60 days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
 - a. The charges for basic service and incremental ancillary services requested by the applicant.
2. In addition, a utility shall make available upon customer request not later than 60 days from date of service commencement a concise summary of the utility's tariffs or the Commission's rules and regulations concerning:
 - a. Deposits
 - b. Terminations of service
 - c. Billing and collection
 - d. Complaint handling.

B. Information required due to changes in tariffs

1. Each utility shall transmit to affected customers by the most economic means available a concise summary of any change in the utility's tariffs affecting those customers.
2. This information shall be transmitted to the affected customer within 60 days of the effective date of the change.

Historical Note

Adopted effective March 2, 1982 (Supp. 82-2).

R14-2-505. Service connections and establishments

A. Priority and timing of service establishments

1. After an applicant has complied with the utility's application, construction agreement, or tariff, deposit requirements and has been accepted for service by the utility, the utility shall schedule that customer for service connection and/or establishment.
2. Service establishments shall be scheduled for completion within 10 working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishment beyond the 10 working day limitation.
3. The maximum interval of 10 working days applies to single line residence and business installations only. Multiline services and any special equipment configurations shall be installed within a reasonable time-frame based on availability of necessary equipment.
4. When a utility has made arrangements to meet with a customer for service establishment purposes and the utility or the customer cannot make the appointment during the prearranged time, the utility shall reschedule the establishment to the satisfaction of both parties.
5. Unless another time-frame is mutually acceptable to the utility and the customer, each utility shall schedule service establishment appointments within a maximum range of four hours during normal working hours.
6. For the purposes of this rule, service establishments are where the utility's and customer's facilities are available and the utility needs only to connect the service.

B. Access line connection

1. Provision of services beyond service access point

- a. Facilities beyond the service access point may be provided by either the utility or the customer. Where the facilities are provided by the customer the installation shall be in accordance with the utility's specifications.
 - b. The cost of all new construction of inside customer premise wiring shall be the responsibility of the customer.
2. Company provided facilities
- a. The utility shall provide all facilities up to the service access point.
 - b. A customer requesting an underground service connection in an area served by overhead facilities shall pay for the difference between the cost of an overhead service connection and the actual cost of the underground connection as a nonrefundable contribution. The customer may elect to provide the underground trenching on private property as an offsetting portion of the additional cost of the underground facilities.
 - c. In those instances where the utility is supplying the customer's terminal equipment, the utility may provide any inside wiring beyond the point of access in accordance with approved tariffs filed with the Commission.
3. Easements and rights-of-way
- a. Each customer shall grant adequate easement and right-of-way satisfactory to the utility to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easement and right-of-way shall be grounds for the utility to refuse service.
 - b. When a utility discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interferes with the utility's access to equipment, the utility shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the customer's expense.

Historical Note

Adopted effective March 2, 1982 (Supp. 82-2).

R14-2-507. Provision of Service

- A. Utility responsibility. Each utility shall be responsible for maintaining in safe operating condition all equipment and fixtures used in providing utility service to the customer that are owned by and under the exclusive control of the utility.
- B. Customer responsibility
 1. Each customer shall be responsible for safeguarding all utility property installed in or on the customer's premises for the purpose of supplying utility service to that customer.
 2. Each customer shall be responsible for maintaining in safe operating condition all customer provided equipment and fixtures.
 3. Each customer shall exercise all reasonable care to prevent loss or damage to utility property, excluding ordinary wear and tear. The customer shall be responsible for loss of or damage to utility property on the customer's premises arising from neglect, theft, carelessness, or misuse and shall reimburse the utility for the cost of necessary repairs or replacements.

4. Each customer shall be responsible for payment for any equipment damage and/or use resulting from unauthorized use, interfering or tampering of the utility's equipment on the customer's premises.
 5. Each customer shall notify the utility of any equipment failure identified in the utility's equipment.
- C. Continuity of service. Each utility shall make reasonable efforts to supply a satisfactory and continuous level of service. However, no utility shall be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from but not limited to:
1. Any cause against which the utility could not have reasonably foreseen or made provision for, that is, force majeure.
 2. Intentional service interruptions to make repairs or perform routine maintenance of services constituting excusable negligence.
- D. Service interruptions
1. Each utility shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
 2. Each utility shall make reasonable provisions to meet emergencies resulting from failure of service, and each utility shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.
 3. In the event of a national emergency or local disaster resulting in disruption of normal service, the utility may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
 4. When a utility plans to interrupt service for more than four hours to perform necessary repairs or maintenance, the utility shall attempt to inform affected customers at least 24 hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers of the utility.
 5. The Commission shall be notified of major interruptions in service affecting the entire system or any major division.
- E. Construction standards. Each utility shall construct all facilities in accordance with the provisions of the 1997 edition (and no future editions) of ANSI C2 (National Electrical Safety Code), incorporated by reference and on file with the Office of the Secretary of State. Copies are available from the Institute of Electrical and Electronic Engineers, Inc., 345 East 47th Street, New York, New York 10017.

Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended effective August 16, 1996 (Supp. 96-3). Amended by exempt rulemaking at 5 A.A.R. 2054, effective June 4, 1999 (Supp. 99-2). Amended to correct subsection numbering (Supp. 99-4).

R14-2-508. Billing and collection

- A. Frequency. Each utility shall bill monthly for services rendered.
- B. Minimum bill information. Each utility shall provide the following minimum information on customer bills:
1. Monthly charge for basic exchange service including delineation of the following:
 - a. Total charge for customer requested services and/or equipment.
 - b. Installation costs or other service fees, where applicable.
 - c. Reconnect fee, where applicable.
 2. Toll charges broken down to include the following details by toll call:
 - a. Date of call
 - b. Time of call
 - c. Location called
 - d. Phone number called
 - e. Duration of call
 - f. Indication of any rate class applied.
 3. Miscellaneous charges and credits shall be shown separately.
 4. Any taxes included in the customer's billing.
 5. Total amount due and due date.
 6. Past due amount.
 7. Utility telephone number.
 8. Customer's name.
 9. Service account number.
- C. Billing terms: Each utility shall file a tariff which incorporates the following billing procedures:
1. The billing date shall be printed on the bill and the date rendered shall be the mailing date.
 2. Bills for telephone services may be considered delinquent 15 days after the date the bill is rendered.
 3. Delinquent accounts for which payment has not been received may be terminated 22 days after the date the bill is rendered.
 4. All payments shall be made at or mailed to the office of the utility or to the utility's duly authorized representative.
- D. Applicable tariffs, prepayment, failure to receive, commencement date, taxes
1. Each customer shall be billed under the applicable tariff.
 2. Each utility shall make provisions for advance payment for utility services.
 3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.
 4. Charges for service commence when the service is installed and connection made, whether used or not.
 5. In addition to the collection of regular rates, each utility may collect from the customer a proportionate share of any privilege, sales or use tax, or other imposition based on the gross revenues received by the utility.
- E. Insufficient funds (NSF) checks
1. A utility shall be allowed to recover a fee, as approved by the Commission in a tariff proceeding, for each instance where a customer tenders payment for utility service with an insufficient funds check.

2. When the utility is notified by the customer's bank that there are insufficient funds to cover the check tendered for utility service, the utility may require the customer to make payment in cash, by money order, certified check, or other means which guarantee the customer's payment to the utility.
3. A customer who tenders an insufficient check shall in no way be relieved of the obligation to render payment to the utility under the original terms of the bill nor defer the utility's provision for termination of service for nonpayment of bills.

F. Deferred payment plan

1. Each utility may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for utility service.
2. Each deferred payment agreement entered into by the utility and the customer due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:
 - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement.
 - b. Customer agrees to pay all future bills for utility service in accordance with the billing and collection tariffs of the utility.
 - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six months.
3. For the purposes of determining a reasonable installment payment schedule under these rules, the utility and the customer shall give consideration to the following conditions:
 - a. Size of the delinquent account
 - b. Customer's ability to pay
 - c. Customer's payment history
 - d. Length of time that the debt has been outstanding
 - e. Circumstances which resulted in the debt being outstanding
 - f. Any other relevant factors related to the circumstances of the customer.
4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills; customer failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the utility from discontinuing service for nonpayment.
5. Deferred payment agreements may be in writing and may be signed by the customer and an authorized utility representative.
6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
7. If a customer has not fulfilled the terms of a deferred payment agreement, the utility shall have the right to disconnect service pursuant to the utility's termination of service rules and, under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.

G. Late payment penalty

1. Each utility may include in its tariffs a late payment penalty which may be applied to delinquent bills.
2. The amount of the late payment penalty shall be indicated upon the customer's bill when rendered by the utility.
3. In the absence of an approved tariff, the amount of the late payment penalty shall not exceed 1-1/2% of the delinquent bill.

H. Change of responsibility or occupancy

1. Not less than three working days advance notice must be given in person, in writing, or by telephone at the utility's office to discontinue service, to change occupancy or to change account responsibility.
2. The customer in whose name service is being rendered shall be responsible for all utility services provided and/or consumed up to the scheduled date of service discontinuation.
3. Existing business service may be continued for a new subscriber only if the former subscriber consents and an agreement acceptable to the utility is made to pay all outstanding charges against the service.
4. Change of responsibility on a residence account shall occur only in those cases where both parties previously shared telephone service.

Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

R14-2-509. Termination of service

A. Nonpermissible reasons to disconnect service. A utility may not disconnect service for any of the reasons stated below:

1. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
2. Failure of the customer to pay for services or equipment which are not regulated by the Commission.
3. Residential service may not be disconnected due to nonpayment of a bill related to another class of service.
4. Failure to pay for a bill to correct a billing error if the customer agrees to pay over a reasonable period of time.
5. Failure to pay the bill of another customer as guarantor thereof unless guarantor does not make acceptable payment arrangements.
6. Disputed bills where the customer has complied with the Commission's rules on complaints.

B. Termination of service without notice

1. Utility service may be disconnected without advance written notice under the following conditions:
 - a. The existence of an obvious hazard to the safety or health of the consumer or the general population or the utility's personnel or facilities.
 - b. The utility has evidence of tampering or evidence of fraud.
2. The utility shall not be required to restore service until the conditions which resulted in the termination have been corrected to the satisfaction of the utility.
3. Each utility shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one year and shall be available for inspection by the Commission.

C. Termination of service with notice

1. A utility may disconnect service to any customer for any reason stated below provided the utility has met the notice requirements established by the Commission:

- a. Customer violation of any of the utility's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
 - b. Failure of the customer to pay a bill for utility service.
 - c. Failure to meet or maintain the utility's credit and deposit requirements.
 - d. Failure of the customer to provide the utility reasonable access to its equipment and property.
 - e. Customer breach of contract for service between the utility and customer.
 - f. When necessary for the utility to comply with an order of any governmental agency having such jurisdiction.
 - g. Unauthorized resale of equipment or service.
2. Each utility shall maintain a record of all terminations of service with notice. This record shall be maintained for one year and be available for Commission inspection.
- D. Termination notice requirements
1. No utility shall terminate service to any of its customers without providing advance written notice to the customer of the utility's intent to disconnect service, except under those conditions specified where advance written notice is not required.
 2. Such advance written notice shall contain, at a minimum, the following information:
 - a. The name of the person whose service is to be terminated and the telephone number where service is being rendered.
 - b. The utility rules or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of the utility, if applicable.
 - c. The date on or after which service may be terminated.
 - d. A statement advising the customer to contact the utility at a specific phone number for information regarding any deferred billing or other procedures which the utility may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.
- E. Timing of terminations with notice
1. Each utility shall be required to give at least five days advance written notice prior to the termination date.
 2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.
 3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the utility for the payment thereof or in the case of a violation of the utility's rules the customer has not satisfied the utility that such violation has ceased, the utility may then terminate service on or after the day specified in the notice without giving further notice.
 4. The utility may terminate service on a temporary basis by discontinuing the customer's line access at the central office.
 5. The utility shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.
 6. The terms and conditions of these rules shall apply in all circumstances except those superseded by the provisions of the high toll usage notification procedures.
- F. High toll usage monitoring/notification procedures

1. Each telephone utility may establish a high toll usage monitoring/notification system to identify unexplained or excessive increases in customer toll usage during interim periods between the issuance of bills in accordance with the utility's established billing cycle. The intent of such a monitoring/notification system is to enable telephone utilities to identify situations where it is unlikely that the customer will be able to pay for toll services already provided as well as to prevent the accrual of additional billings when the risk of loss is increasingly evident.
2. Each utility which establishes a high toll monitoring/notification system shall develop and operate such system and be governed by the following provisions and procedures:
 - a. Each utility shall establish a "normal" amount of toll usage by customer class and length of service. The normal amount of toll usage shall be based upon the actual average usage by the customer class.
 - b. Increases in toll usage shall not be considered unexplained or excessive until the amount of toll usage incurred between billing periods is at least two times the normal amount of monthly toll usage for that customer or customer class.
 - c. When this situation occurs, the utility shall review:
 - i. The individual customer's billing history to determine if the volume of toll usage should be considered excessive for that particular customer
 - ii. Prior payment history
 - iii. Amount of customer deposit held, if any
 - iv. Length of customer service to assess the ability of the customer to pay such toll charges according to the payment terms of the utility when a normal billing is rendered.
 - d. If the review of the customer's previous billing and payment history indicates it is unlikely that the customer shall be able to pay such bill, the utility may contact the customer to make inquiries concerning the abnormal usage. If the explanation is not satisfactory, the utility may require security and/or payment of charges on the account to continue service.
 - e. The utility may terminate service provided the customer is given 48 hours advance notice and the customer makes no further attempt to secure and or pay the account in order to continue service.
 - f. The 48-hour notification rule shall be waived and service may be terminated immediately in those situations where intentional customer abuse of toll usage is evident.

Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended to correct subsection numbering (Supp. 99-4).

Editor's Note: The following Section was amended under an exemption from the Attorney General approval provisions of the Arizona Administrative Procedure Act (State ex. rel. Corbin v. Arizona Corporation Commission, 174 Ariz. 216 848 P.2d 301 (App. 1992)), as determined by the Corporation Commission. This exemption means that the rules as amended were not approved by the Attorney General.

R14-2-510. Administrative and Hearing Requirements

A. Customer service complaints

1. Each utility shall make a full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.
2. The utility shall respond to the complainant and/or the Commission representative within five working days as to the status of the utility investigation of the complaint.
3. The utility shall notify the complainant and/or the Commission representative of the final disposition of each. Upon request of the complainant or the Commission representative, the utility shall report the findings of its investigation in writing.
4. Each utility shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:
 - a. Name and address of complainant
 - b. Date and nature of the complaint
 - c. Disposition of the complaint
 - d. A copy of any correspondence between the utility, the customer, and/or the Commission.
5. This record shall be maintained for a minimum period of one year and shall be available for inspection by the Commission.

B. Customer bill disputes

1. Any utility customer who disputes a portion of a bill rendered for utility service shall pay the undisputed portion of the bill and notify the utility's designated representative that such unpaid amount is in dispute prior to the delinquent date of the bill.
2. Upon receipt of the customer notice of dispute, the utility shall:
 - a. Notify the customer within five working days of the receipt of a written dispute notice.
 - b. Initiate a prompt investigation as to the source of the dispute.
 - c. Withhold disconnection of service until the investigation is completed and the customer is informed of the results.
3. Once the customer has received the results of the utility's investigation, the customer shall submit payment within five working days to the utility for any disputed amounts. Failure to make full payment shall be grounds for termination of service. Prior to termination inform the customer of his right of appeal to the Commission.

C. Commission resolution of service and/or bill disputes

1. In the event a customer and utility cannot resolve a service and/or bill dispute, the customer shall file a written statement of dissatisfaction with the Commission; by submitting such notice to the Commission, the customer shall be deemed to have filed an informal complaint against the utility.
2. Within 30 days of the receipt of a written statement of customer dissatisfaction related to a service or bill dispute, a designated representative of the Commission shall endeavor to resolve the dispute by correspondence and/or telephone with the utility and the customer. If resolution of the dispute is not achieved within 20 days of the Commission representative's initial effort, the Commission shall hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing shall be governed by the following rules:
 - a. Each party may be represented by legal counsel, if desired.
 - b. All such informal hearings may be recorded or held in the presence of a stenographer.

- c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties.
 - d. All parties and the Commission's representative shall be given the opportunity for cross-examination of the various parties.
 - e. The Commission's representative will render a written decision to all parties within five working days after the date of the informal hearing. Such written decision of the arbitrator is not binding on any of the parties and the parties will still have the right to make a formal complaint to the Commission.
3. The utility may implement normal termination procedures if the customer fails to pay all bills rendered during the resolution of the dispute by the Commission.
- D. Notice by utility of responsible officer or agent
1. Each utility shall file with the Commission a written statement containing the name, address (business, residence and post office) and telephone numbers (business and residence) of at least one officer, agent or employee responsible for the general management of its operations as a utility in Arizona.
 2. Each utility shall give notice, by filing a written statement with the Commission, of any change in the information required herein within five days from the date of any such change.
- E. Time-frames for processing applications for Certificates of Convenience and Necessity
1. This rule prescribes time-frames for the processing of any application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
 2. Within 30 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
 3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
 4. After receipt of a corrected application, staff shall notify the applicant within 30 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
 5. Within 150 days after an application is deemed administratively complete, the Commission shall approve or reject the application.
 6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:
 - a. Administrative completeness review time-frame: 30 calendar days,
 - b. Substantive review time-frame: 150 calendar days,
 - c. Overall time-frame: 180 calendar days.
 7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.

8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time- frame rules.

F. Filing of rules and regulations

1. Each utility shall file with the Commission tariffs which are in compliance with the rules and regulations promulgated by the Arizona Corporation Commission within 120 days of the adoption of such rules by the Commission.
2. Any proposed changes to the tariffs on file with the Commission shall be accompanied by a statement of justification supporting the proposed change in tariff.
3. Any proposed change to the tariffs on file with the Commission shall not be effective until reviewed and approved by the Commission, except as provided for by law.

G. Accounts and records

1. Each utility shall keep general and auxiliary accounting records reflecting the cost of its properties, operating income and expense, assets and liabilities, and all other accounting and statistical data necessary to give complete and authentic information as to its properties and operations.
2. Each utility shall maintain its books and records in conformity with the Uniform Systems of Accounts for Class A, B, C and D Telephone Utilities as adopted and amended by the Federal Communications Commission or, for telephone cooperatives, as promulgated by the Rural Electrification Administration.
3. A utility shall produce or deliver in this state any or all of its formal accounting records and related documents requested by the Commission. It may, at its option, provide verified copies of original records and documents.
4. All utilities shall submit an annual report to the Commission on a form prescribed by it. The annual report shall be filed on or before the 15th day of April for the preceding calendar year. Reports prepared by a certified or licensed public accountant on the utility, if any, shall accompany the annual report.
5. All utilities shall file with the Commission a copy of all reports required by the Securities and Exchange Commission.
6. All utilities shall file with the Commission a copy of all annual reports required by the Federal Communications Commission and in addition, for telephone cooperatives, annual reports required by the Rural Electrification Administration.

- H. Maps. All utilities shall file with the Commission a map or maps clearly setting forth the location and extent of the area or areas they hold under approved certificates of convenience and necessity, in accordance with the Cadastral (Rectangular) Survey of the United States Bureau of Land Management, or by metes and bounds with a starting point determined by the aforesaid Cadastral Survey.

- I. Variations, exemptions of Commission rules and regulations. Variations or exemptions from the terms and requirements of any of the rules included herein (Title 14, Chapter 2, Article 5) shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission rules and regulations. Such application will be subject to the review of the Commission, and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and regulations and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.

- J. Prior agreements. The adoption of these rules by the Commission shall not affect any agreements entered into between the utility and customers or other parties who, pursuant to such contracts, arranged for the extension of facilities in a provision of service prior to the effective date of these rules.

Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4).
Amended to correct subsection numbering (Supp. 99-4).

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of)
)
PUBLIC UTILITY COMMISSION) Docket No. UM 1217
OF OREGON)
)
Staff Investigation to Establish)
Requirements for Initial Designation)
And Recertification of Telecommunications)
Carriers Eligible to Receive Federal)
Universal Service Support)
)

REPLY TESTIMONY OF

LARRY B. MASON

ON BEHALF OF

OREGON TELECOMMUNICATIONS ASSOCIATION

FEBRUARY 8, 2006

1 **Q. PLEASE STATE YOUR NAME AND GIVE US YOUR BUSINESS**
2 **ADDRESS.**

3 A. My name is Larry B. Mason and my business address is GVNW Consulting, 8050
4 SW Warm Springs Street, Suite 200, Tualatin, Oregon 97062.

5

6 **Q. WHAT IS YOUR POSITION WITH GVNW CONSULTING?**

7 A. I am a Consultant in the Western Region Office.

8

9 **Q. WHAT ARE YOUR RESPONSIBILITIES WITH GVNW CONSULTING?**

10 A. My responsibilities include assisting clients with accounting issues, interstate cost
11 studies, regulated/non-regulated cost allocation issues, access charge issues, universal
12 service issues, continuing property records issues, and strategic planning options.

13

14 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION?**

15 A. I have not submitted formal testimony to this Commission prior to this occasion.

16

17 **PURPOSE OF REPLY TESTIMONY**

18 **Q. WHAT IS THE PURPOSE OF YOUR REPLY TESTIMONY IN THIS**
19 **PROCEEDING?**

20 A. The purpose of my reply testimony is to reply to the Staff position that “the
21 Commission should require the rural ILECs to disaggregate support on a wire-center
22 basis.” (Staff/1, Marinos/69).

23

SUMMARY

1
2 **Q. PLEASE SUMMARIZE YOUR REPLY TESTIMONY.**

3 A. In this reply testimony, I explain OTA's position that this docket is not the
4 appropriate vehicle to resolve the issue of disaggregation. I support this OTA position for
5 several reasons. First, the OPUC has already conducted density analyses for
6 creamskimming in the US Cellular, RCC Minnesota, and Edge Wireless proceedings.
7 Second, the wide range of possible costs that could be incurred by an ETC in conducting
8 a disaggregation study provide an incomplete basis for a decision at this time. Third,
9 imposing a disaggregation mandate creates a potential windfall for CETCs.

10 Based on the evidence available in this record, a cost versus benefit analysis does
11 not support adopting a disaggregation requirement for Oregon ILECs. What is ironic is
12 that we are discussing how much money a rural ILEC should be required to spend in
13 order to determine how much support may be received by a competitor based on the
14 ILECs' cost structure. What is perhaps more relevant is what are the related costs for the
15 CETC to serve the area or zone in question. This is one of the reasons that the OPUC
16 should be considering these disaggregation issues in a separate docket.

17 I believe that the requisite benefit versus cost test should consider each subset
18 separately, as Staff's testimony has already distinguished between carriers with more than
19 5 wire centers, and those with 5 or fewer wire centers. OTA's position is that the cost
20 versus benefit test may not prove out for either subset. In addition, OTA also believes
21 that it would be unfair to penalize the smallest carriers in Oregon with a blanket
22 disaggregation requirement.

REPLY TESTIMONY

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Q. WHAT IS DISAGGREGATION?

A. The concept of disaggregation is when the universal service support that is received by an Eligible Telecommunications Carrier (ETC) is allocated below the study area level and assigned in differing amounts to more than one area or zone.

Q. WHY WAS THE CONCEPT OF DISAGGREGATION DEVELOPED?

A. The concept of disaggregating universal service funding was developed in an attempt to assign universal service funds to the portions of the ETC study area that are responsible for generating the support. In the simplest terms, the higher cost portions of an ETC study area will generate more support per line than areas that are less costly to serve.

Q. WHAT RATIONALE FOR DISAGGREGATION DO ITS PROPONENTS OFFER?

A. There are a variety of arguments that parties have offered to date. One common argument is that support should be disaggregated in order to send the proper "signal" to potential competitors with respect to how much potential support is available should they choose to enter that portion of an ETC study area. Another argument commonly offered is that carriers should only receive portable support that is properly targeted to match the cost characteristics for the areas they choose to serve.

1 Q. ARE THE BENEFITS, IF ANY, OF DISAGGREGATION QUANTIFIED
2 IN THE RECORD IN UM 1217?

3 A. No, my review of the record evidence in UM 1217 indicates a lack of any specific
4 quantification by Staff or any other parties. While there are general assertions that
5 disaggregation is desirable (Staff/1, Marinos/67), neither Staff nor any other party has
6 offered a means by which to quantify the cost to the carriers to disaggregate versus the
7 potential benefit that might occur if Oregon carriers were required to absorb such costs.
8 Without such quantification, it appears that the density analysis tool described at pages 6-
9 7 below better meets the needs of Oregon consumers.

10

11 Q. ARE THERE PROBLEMS WITH APPLYING DISAGGREGATION
12 GLOBALLY AND SPECIFICALLY IN OREGON?

13 A. Yes, this is part of the reason that OTA took the position that it offered in the
14 initial round of testimony filed on December 13, 2005. In Staff's testimony filed on
15 December 13, 2005, Staff recommended that "the Commission should require the rural
16 ILECs to disaggregate support on a wire-center basis" (Staff/1, Marinos/69). I note that
17 the Staff witness Marinos somewhat tempered her recommendation with the statement at
18 page 70: "In addition to these larger carries, there are only 7 ILECs with 5 or fewer wire
19 centers in their study areas. **Disaggregation for the smaller carriers is not as critical**
20 **because they comprise smaller and more compact areas.**" (emphasis added)

21 The point I emphasize is that the requisite benefit versus cost test should consider
22 each subset separately. Staff's testimony has already distinguished between carriers with
23 more than 5 wire centers and those with 5 or fewer wire centers. While OTA's position is
24 that the cost versus benefit test may not prove out for either subset, OTA also posits that

1 it would be unfair to penalize the smallest carriers with a blanket disaggregation
2 requirement.

3

4 **Q. WHAT POSITION DID OTA OFFER IN ITS INITIAL TESTIMONY?**

5 A. As stated by OTA witness Brant Wolf (OTA 1/Wolf at 23), OTA's position is that
6 this docket is not the appropriate vehicle to resolve the issue of disaggregation. In Mr.
7 Wolf's testimony, OTA asserted that the *"question of whether disaggregation should or
8 should not occur is not a question for the ETC designation process."*

9 Mr. Wolf also highlighted an important Federal Communications Commission
10 finding from paragraph 51 of the FCC *ETC Designation Order*: *"Although
11 disaggregation may alleviate some concerns regarding creamskimming by ETCs,
12 because an incumbent's service area may include wire centers with widely disparate
13 population densities, and therefore highly disparate cost characteristics, disaggregation
14 may be a less viable alternative for reducing creamskimming opportunities...."*

15 Mr. Wolf concluded that disaggregation should be considered only *"where it can
16 be shown that the benefits outweigh the costs. Working through a disaggregation model
17 can be a relatively expensive situation. Clearly, this is an issue for another docket."*

18

19 **Q. DO YOU SUPPORT THIS OTA POSITION ON DISAGGREGATION?**

20 A. Yes, I do.

21

1 **Q. WHY DO YOU SUPPORT THIS OTA POSITION ON**
2 **DISAGGREGATION?**

3 A. I support this OTA position for several reasons. First, the OPUC has already
4 conducted density analyses for creamskimming in the US Cellular, RCC Minnesota, and
5 Edge Wireless proceedings. Second, the wide range of possible costs that could be
6 incurred by an ETC in conducting a disaggregation study provide an incomplete basis for
7 a decision at this time. Third, imposing a disaggregation mandate creates a potential
8 windfall for CETCs.

9

10 **Q. PLEASE EXPLAIN THE SIGNIFICANCE OF THE PREVIOUS DENSITY**
11 **ANALYSES CONDUCTED BY THE OPUC?**

12 A. Universal service support is developed based on the averaged costs of serving
13 customers in specific areas. When a second ETC is permitted to serve less than the entire
14 ILEC service area over which the averaged rates were developed, an opportunity for
15 arbitrage is created for the CETC. The incentive exists for the CETC to target lower cost
16 customers, or to report lines for served customers in the area that has the highest averaged
17 costs reported by the ILEC.

18 In prior FCC Orders (*2005 USF Order, Virginia Cellular Order*), the Federal
19 Communications Commission referenced what is referred to as a population density test.
20 A population density test is a regulatory tool that examines and compares the population
21 densities in the wire centers where a CETC seeks designation with the wire centers where
22 designation as an ETC is not desired, using as the metric, persons per square mile. If the
23 CETC seeks designation in wire centers that possess a significantly higher population
24 density than the remainder of the applicable study area, the FCC suggested that it was

1 likely that costs are proportionately lower in the requested designation wire centers and
2 that a financial benefit could be realized by the CETC.

3 The direct testimony of the RCC-USCC witness (RCC-USCC/1, Wood/33-35)
4 attempts to direct OPUC attention away from the Virginia Cellular example ratio of 8:1
5 with anecdotal evidence that some ILECs in an unspecified location have asserted that a
6 2:1 ratio is problematic. Such an argument serves to obfuscate the real benefit that the
7 OPUC may achieve with some level of density analysis. Further, the RCC-USCC
8 witness seems to presuppose that the OPUC is unable to differentiate between a 2:1 ratio
9 and an 8:1 ratio. OTA does not believe that to be the case and continues to believe that
10 density analysis is properly includable in the tools available to the OPUC to determine
11 what may or may not be in the public interest in granting ETC designations.

12

13 **Q. WHY IS THERE A WIDE RANGE OF POSSIBLE COSTS FOR AN ETC**
14 **TO CONDUCT A DISAGGREGATION ANALYSIS?**

15 A. There are three reasons why such a wide range of costs is possible: prescribed
16 FCC accounting is on a study area basis; no specific rules or procedures are prescribed
17 relative to disaggregation; and the complexity of steps that are required to perform a
18 disaggregation study.

19

20 **Q. WHAT ARE THE ACCOUNTING REQUIREMENTS FOR OREGON**
21 **ILECs?**

22 A. Under currently applicable rules, Federal Communications Commission Part 32
23 prescribes that ILECs conduct their requisite FCC accounting on a study area basis. Thus,
24 for the majority of companies with multiple wire centers, data is not readily available to

1 capture investment or operating expenses below the study area level. In other words, a
2 carrier that complies with FCC accounting rules is not required to account for costs or
3 expenses in a manner that readily facilitates conducting a disaggregation analysis. This is
4 the genesis for the OPUC needing to conduct a cost versus benefit analysis prior to
5 mandating a disaggregation requirement in Oregon.

6

7 **Q. ARE THERE SPECIFIC RULES OR PROCEDURES THAT THE**
8 **FEDERAL COMMUNICATIONS COMMISSION HAS PRESCRIBED**
9 **RELATIVE TO DISAGGREGATION?**

10 A. No, the FCC rules found in Part 54.315 only address options for selecting or not
11 selecting disaggregation. The rules do allow that a state commission may require “on its
12 own motion, upon petition by an interested party, or upon petition by the rural incumbent
13 local exchange carrier or rate-of-return carrier, the disaggregation and targeting of
14 support.” I believe that an implicit assumption underlying such a rule is that the state
15 commission will only take such action where the benefits of taking such an action clearly
16 exceed the costs attendant to such action.

17

18 **Q. WHAT RANGE OF COSTS ARE YOU AWARE OF WITH REGARD TO**
19 **ILECs THAT HAVE PERFORMED DISAGGREGATION STUDIES?**

20 A. I am aware of a large range of costs incurred by ILECs that have performed
21 disaggregation of support studies. At GVNW, we conducted simplified studies for
22 carriers that possessed robust internal data records, and where company staff size was
23 large enough to allow for some work to be done by the company. These studies were
24 completed at a cost in 2002 in the range of \$7,600 to \$17,900. For a carrier that does not

1 have enough staff capacity to assist in the development of the data, and whose internal
2 records meet but do not exceed the FCC Part 32 accounting requirements, the costs may
3 well range in excess of \$30,000 for a carrier with 5 or fewer wire centers. For example,
4 we are also aware that one small carrier in a western region state paid nearly \$100,000 to
5 a consulting firm for a disaggregation study.

6

7 **Q. PLEASE BRIEFLY DESCRIBE THE COMPLEXITY OF STEPS**
8 **REQUIRED TO PERFORM DISAGGREGATION FOR AN OREGON ILEC.**

9 A. This is one of the chief problems in trying to explore the cost to benefit
10 relationship of disaggregation. There are many ways to approach disaggregation. I will
11 describe just one approach.

12 The starting point for a disaggregation study for a rural Oregon ILEC is the High
13 Cost Loop support mechanism algorithm. The theory behind this algorithm is to develop
14 the cost for each loop within the study area. The difference between the calculated cost
15 per loop and the National Average Cost per Loop determines support to be received two
16 years after the expense is incurred by the ILEC.

17 The cost per loop calculated by the High Cost Loop algorithm is calculated at the
18 study area level. The premise behind disaggregation is to calculate cost per loop at the
19 wire center/zone level; the FCC's rules allow up to two zones per wire center. One way
20 of developing cost per loop at the wire center/zone level requires determining the plant
21 necessary to provide the loop. Operating expenses are then allocated to the wire
22 center/zone level based on that loop plant.

23 Under the approach I am describing, the ILEC's Continuing Property Records are
24 the basis for determining Central Office and Outside Plant (Cable and Wire Facilities)

1 loop plant. An ILEC with a robust CPR program may maintain CPRs at the wire center
2 level, even though current rules require CPRs only at the study area level. It should be
3 noted that maintaining CPRs at the wire center level is not the same thing as doing a cost
4 study at the wire center level. If an ILEC does not have CPRs maintained at the wire
5 center/zone level, then the ILEC has to go through the process of developing such
6 records, which is quite expensive, or costs must be allocated to the wire center/zone level
7 based on some methodology. One question is what methodology should be used as this is
8 a very important cost driver.

9 Under the method I am describing, General Support Assets are also assigned to
10 each wire center/zone. Some General Support Assets can be directly assigned to a
11 specific wire center/zone. For example, Land and Buildings within a wire center's
12 boundaries and used exclusively to provide service to customers in that wire center could
13 be directly assigned to that wire center. Other General Support Assets must be allocated
14 based on some methodology. Again, choice of methodology will drive the cost of the
15 process.

16 Once Central Office plant, Outside (Cable and Wire facilities) plant, and General
17 Support Assets have been assigned to the wire center/zone level, the expenses associated
18 with plant follow that assignment and a methodology for allocating Corporate expenses
19 and taxes to the wire center/zone level must be developed. These expense categories,
20 when summed, become the total expense level to serve customers in each wire
21 center/zone and, when divided by loops served, become the cost per loop for that wire
22 center/zone.

23 For other support mechanisms, a similar analysis must also be undertaken.

1 As I have stated throughout, the choice of allocation mechanism is a very big
2 driver in the cost to develop disaggregation numbers. The more precise the desired
3 outcome, the more detailed, and, as a result, costly, the disaggregation methodology. If
4 the benefit sought is to provide correct economic signals, then precision (i.e., accuracy)
5 would seem to be the goal. However, the quandary is that this may be expensive.

6

7 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY THE POTENTIAL FOR A**
8 **WINDFALL FOR A CETC WHEN SUPPORT IS DISAGGREGATED FOR THE**
9 **INCUMBENT ETC.**

10 A. The following hypothetical example explains the potential for windfall: ETC
11 Alpha is an ILEC with 1,000 access lines, with 800 access lines in Wire Center A and
12 200 of its lines in Wire Center B. Alpha is currently receiving \$10 of high-cost loop
13 support on a per-line basis. This results in Alpha receiving \$10,000 of annual support.
14 CETC Beta is currently reporting that it is serving 500 access lines in Alpha's study area,
15 which includes both wire centers, to USAC, and thus receives \$5,000 in support (500
16 lines x \$10 per line).

17 If ETC Alpha is required to disaggregate support to a wire center basis, the
18 following scenario could occur. Wire Center A would include the 800 access lines, and
19 Wire Center B would include 200 access lines. The results of the disaggregation study
20 might determine that Wire Center A support per line is \$5 per line, and Wire Center B
21 support per line is \$30 per line. For ETC Alpha, total support remains at \$10,000 [(Wire
22 Center A lines of 800 x \$5 per line = \$4,000) plus (Wire Center B lines of 200 x \$30 per
23 line = \$6,000)].

1 However, if CETC Beta reports 200 lines in the Wire Center A and 300 lines in
2 the Wire Center B, the support for CETC Beta doubles, with the same number of lines
3 reported [(200 x \$5 per line = \$1,000) plus (300 x \$30 per line = \$9,000) for a revised
4 total of \$10,000 of CETC support]. This illustration demonstrates the potential for a
5 windfall from disaggregation. Why should CETC support double after the fact of
6 designation as an ETC just because of disaggregation?

7

8 **Q. IS THERE A BENEFIT TO DISAGGREGATING ILEC SUPPORT AT**
9 **ANY COST?**

10 A. No, a cost versus benefit analysis should apply in any prudent public policy
11 analysis. What is ironic is that we are discussing how much money a rural ILEC should
12 be required to spend in order to determine how much support may be received by a
13 competitor based on the ILECs' cost structure. This is one of the reasons that the OPUC
14 should be considering these disaggregation and related issues in a separate docket.

15

16 **Q. DOES THIS COMPLETE YOUR REPLY TESTIMONY?**

17 A. Yes.

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**CERTIFICATE OF SERVICE
UM 1217**

I certify that I have this day served the foregoing Reply Testimony of Brant Wolf and Reply Testimony of Larry B. Mason by electronic mail and Federal Express to the following:

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I further certify that I have this day served the foregoing Reply Testimony of Brant Wolf and Reply Testimony of Larry B. Mason upon all parties of record in this proceeding by mailing a copy properly addressed with first class postage prepaid, and by electronic mail pursuant to OAR 860-013-0070, to the following parties or attorneys of parties:

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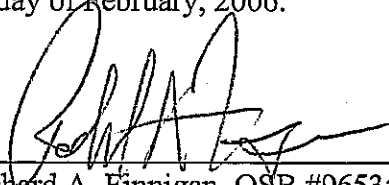
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