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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 384

In the Matter of an Investigation into)
Alternative Means of Intrastate Separations) ORDER
and Settlements.)

DISPOSITION: REQUEST FOR EXTENSION OF OCAP GRANTED

On October 28, 1999, the Oregon Exchange Carrier Association (OECA) filed a report with the Public Utility Commission of Oregon (Commission) concerning the Oregon Customer Access Plan (OCAP or Plan). The report states that the Board of Governors of OECA recommends that the Commission extend the current OCAP beyond its current expiration date of December 31, 1999.

OECA explains that the original OCAP was created in Docket UM 214, Order No. 89-041, issued January 9, 1989. The Plan was subsequently amended to its current form in Docket UM 384, Order No. 93-1133, issued August 12, 1993, and was set to expire on December 31, 1997. The Plan was thereafter extended on a year-by-year basis for the years 1998 and 1999. OECA requests that the current OCAP be extended on an interim and indefinite basis until there is a greater resolution of universal service issues on national and state levels and new federal and state universal service funds (USFs) are in place that address rural telephone companies.¹

Commission Staff reviewed the filing and presented its analysis at the Commission's November 30, 1999, Public Meeting. Staff explained that the OCAP provided for a four-year transitional reduction in switched access revenue requirements to reflect the underlying actual relative use of exchange plant and for the establishment of an Oregon Universal Service Fund (OUSF) to support local exchanges services for those local exchange carriers (LECs) unable to complete the revenue requirement reductions for switched access. In addition, the OCAP provided for the Oregon Customer Access Fund (OCAF), an optional cost pooling arrangement that allows LECs to file a common set of access tariffs.

¹ OECA adds that all of its members meet the definition for rural telephone companies under the Telecommunications Act of 1996.

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Staff recommended that the Commission extend the OCAP until December 31, 2000, and indicated a number of reasons in support of its recommendation. Staff first noted that rural LECs will remain on an embedded cost basis for federal USF support at least until January 1, 2001, pending completion of a federally sponsored investigation into a cost methodology for rural LECs. Therefore, staff explained that the use of an embedded cost basis for the Oregon program is not inconsistent with the federal system. It added that the Oregon program is ahead of the federal program as rural LECs have already eliminated the traditional intrastate toll weighting factors associated with the allocation of subscriber plant and local switching to long distance toll services under the current OCAP. Staff also pointed out that progress in the OUSF docket, UM 731, has been slower than expected.² Senate Bill 622 allows the Commission to delay implementation of the OUSF for rural LECs for up to six months after the FCC adopts a federal cost methodology for rural carriers. Finally, Staff stated that it does not believe the one-year extension will harm customers or carriers, but instead the extension will allow the parties in UM 731 to retain their focus on implementation of the OUSF for non-rural LECs.

The Commission adopted the Staff Report and granted a one-year extension of the OCAP at the November 30, 1999, Public Meeting. The Commission finds that a one-year extension of the OCAP will not result in an undue delay in the implementation of the OUSF for rural carriers, since the FCC is not expected to complete its cost methodology for rural LECs until after January 1, 2001. Instead, the extension will maintain the status quo pending further progress on the federal USF and the OUSF for rural LECs. Maintenance of the status quo will allow the parties in UM 731 to concentrate on implementation of the OUSF for non-rural LECs instead of needlessly expending the resources of the parties and the Commission on developing an interim solution until such time as the OUSF for rural LECs can be adopted.

² Staff noted that delays in the Federal Communications Commission's (FCC's) development of a forward-looking economic cost proxy model have hindered progress in UM 731. The FCC released an order relating to non-rural LECs on November 2, 1999, but has not released an order relating to rural LECs. Final implementation of the OUSF for non-rural LECs is currently scheduled for September 1, 2000, while implementation of the OUSF for rural LECs is not expected until after January 1, 2001.

ORDER

IT IS ORDERED that the Oregon Customer Access Plan is extended for a one-year period, until December 31, 2000. The 1997 embedded cost allocation formulas for intrastate switched access, as identified in Appendix A to the Oregon Customer Access Plan, shall remain in effect through the year 2000.

Made, entered, and effective _____.

Ron Eachus
Chairman

Roger Hamilton
Commissioner

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements of OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070. A party may appeal this order to a court pursuant to ORS 756.580.