

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1280

In the Matter of the)	
)	
PUBLIC UTILITY COMMISSION OF)	
OREGON)	ORDER
)	
Investigation to Determine whether Rural)	
Incumbent Local Exchange Carriers Should)	
Disaggregate Universal Service Support.)	

DISPOSITION: PROCEEDING TERMINATED; DOCKET CLOSED

In this order, the Commission terminates the proceeding investigating whether and to what extent local exchange carriers should be required to disaggregate and target support in a different manner, as permitted by 47 CFR Section 54.315(c)(5).

Background. In Order No. 06-292, entered June 13, 2006, in docket UM 1217 (UM 1217 Order), we established the requirements that must be met by carriers seeking certification and recertification as Eligible Telecommunications Carriers (ETCs). Under federal law, ETCs receive payments from the Universal Service Fund (USF), but must “use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.” (47 CFR § 54.307(a).) An incumbent local exchange carrier (ILEC) receives USF support based on the cost of providing supported services. A competitive ETC (CETC) only receives USF support for the customers that it serves in areas where USF support is also distributed to ILEC ETCs. The ETC can offer services, either using its own facilities or through a combination of its own facilities and resale of another carrier’s service, but does not receive support if it serves a customer through resale of another carrier’s services alone. The amount of support provided to a CETC for a customer line mirrors the amount provided to the ILEC for that customer line.¹

At page 11 of the UM 1217 Order, we noted the recommendation of the Commission staff (Staff), Rural Cellular Corporation (RCC) Minnesota and United States Cellular Corporation (USCC) that the Commission should require rural ILECs to disaggregate their support on a wire center basis resulting in varying per-line support amounts for CETCs. Conceptually, we thought, disaggregation would align the costs of serving each individual wire center with the amount of support available and thus send

¹ Order No. 06-292, at 1-2, citing 47 CFR § 54.307(a)(3),(4) and 47 CFR § 214(e)(1).

out the proper economic signals to the CETC competitors and give the USF its maximum beneficial impact. The Oregon Telephone Association (OTA) and Verizon contended that we should have additional cost-benefit information before requiring ILECs to disaggregate and Staff agreed. We concluded:

The record contains evidence that disaggregation could be a substantial undertaking by ILECs, particularly rural ILECs and those that serve a diverse geographical area. The record also contains evidence to the contrary. However, this docket was opened to resolve requirements for ETC designation and recertification, not to directly address disaggregation. For this reason, we will not decide whether disaggregation should be undertaken at this time, but will instead open a new docket to consider that issue, as well as any impacts on the cream-skimming test.²

As a consequence, this docket was opened on October 16, 2006, and OTA, RCC, USCC, the Citizens' Utility Board (CUB), Embarq Communications (Embarq)³ and Citizens Telecommunications Company of Oregon, d/b/a Frontier Communications of Oregon (Frontier), became parties to the proceeding. Pursuant to a Motion filed by OTA, Protective Order No. 06-694 was entered on December 29, 2006. Numerous workshops and settlement conferences were held during 2007 and into 2008 regarding open issues, and the Administrative Law Judge (ALJ) continued to hold the proceedings in abeyance at the parties' request, pending the issuance of an order by the Federal Communications Commission (FCC) in WC Docket 05-337 addressing the Recommended Decision released May 1, 2007, by the Federal-State Joint Board on Universal Service.

On January 29, 2008, the FCC released a notice of proposed rulemaking (NPRM) tentatively concluding that it should eliminate the rule providing for equal support for CETCs (WC Docket 05-337, Order 08-4), and seeking public comment on alternative methodologies to support the provision of service by CETCs in high-cost areas. The FCC issued a companion NPRM, Order 08-22, seeking comment on the Federal-State Joint Board recommendations regarding high-cost support reform. A third simultaneously issued NPRM, Order 08-5, sought comment on a "reverse auction" process as a means to provide support to high-cost areas.

In light of the likelihood that the FCC would ultimately adopt a form of support differing from the scheme currently set forth in its regulations, on April 15, 2008, the parties advised the ALJ that they unanimously agreed to recommend that the Commission close the docket.

² *Id.*, at 12.

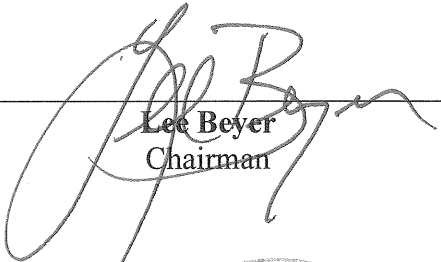
³ By the ALJ's Ruling of February 13, 2007, Embarq was granted permission to withdraw from the proceeding.

Decision. Neither ILECs, CETCs nor the Commission Staff recommend that further efforts be undertaken to require disaggregation of support by wire center. We agree that such efforts would not be useful in light of the fact that the regulations that gave rise to the proceeding will, in all likelihood, no longer be applicable.

ORDER

IT IS ORDERED that these proceedings are hereby TERMINATED, and the record is CLOSED.


Made, entered and effective APR 30 2008.



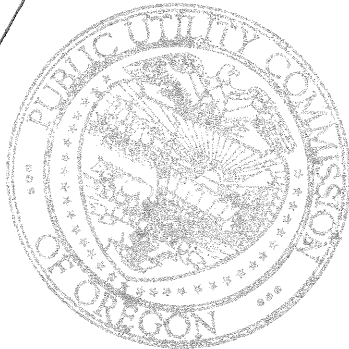
Lee Beyer
Chairman



Ray Baum
Commissioner



John Savage
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 in 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(2). A party may appeal this order to a court pursuant to applicable law.