

**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.

ORDER

**DISPOSITION: CONSIDERATION OF SUBSTANTIVE ISSUES
DELAYED; INTERIM REPORTING REQUIREMENTS
ADOPTED**

I. INTRODUCTION

On April 26, 2010, the Public Utility Commission of Oregon (Commission) opened this docket to investigate the Oregon Universal Service Fund (OUSF). After several workshops and prehearing conferences, docket parties submitted two rounds of comments addressing the current status of the fund and recommendations for the fund's revision. In this order, we defer final action on any revision to the OUSF until after the upcoming 2011 legislative session. We adopt, however, several procedures to respond to party concerns about perceived accountability with regard to the current fund.

II. PROCEDURAL HISTORY

This docket opened on April 26, 2010, after a recommendation from Commission Staff that the OUSF be reexamined. On May 18, 2010, an Administrative Law Judge (ALJ) adopted a procedural schedule. The parties held three workshops, after which Staff submitted a consolidated issues list on behalf of all participating parties. Parties submitted opening comments in November 2010, and closing comments in December 2010.

III. DISCUSSION

A. Background

In Docket UM 731, this Commission created and implemented the Oregon Universal Service fund. After a four-phase multi-year investigation, the Commission issued

Order No. 00-312, which approved the final plan for the OUSF and initiated the fund's operations. The fund distributes approximately \$45 million dollars, annually.

On April 26, 2010, Commission Staff submitted a report requesting that the Commission open this docket to reexamine the OUSF. Staff noted that the Commission has not investigated the performance and operation of the OUSF since its inception, and that since that time, there have been significant changes in the telecommunications industry.

B. Issues

1. *Parties' Comments*

The following parties submitted comments in this docket: Commission Staff; Citizens' Utility Board of Oregon; Warm Springs Telecommunications Company; Oregon Telecommunications Ratepayers Association for Cost-based and Equitable Rates (TRACER); Oregon Cable Telecommunications Association (OCTA); Qwest Corporation; CenturyLink; Comcast Phone of Oregon, LLC (Comcast); AT&T Communications of the Pacific Northwest, Inc., TCG Joint Venture Holdings, Inc., dba TCG Oregon, and New Cingular Wireless PCS, LLC (collectively AT&T); Frontier Communications Northwest Inc. (Frontier); Oregon Telecommunications Association (OTA); GVNW Consulting, Inc. (GVNW); and MCImetro Access Transmission Services, LLC, dba Verizon Access Transmission Services, MCI Communications Service, Inc., dba Verizon Business Services, TTI National, Inc., Teleconnect Long Distance Services and Systems Co., dba Telecom*USA, Verizon Select Services Inc., Verizon Enterprise Solutions LLC, and Verizon Long Distance LLC (collectively Verizon).

Parties' comments addressed a broad range of issues drawn from the 78 issues identified in the parties' consolidated issues list. Of the many issues raised by the parties, parties' comments considered the following:

- Broadening the contribution base for the OUSF to include wireless, cable telecommunications providers and Voice over Internet Protocol (VoIP) providers (Reply Comments of Frontier and OTA)
- Eliminating the current statutory exemption for wireless carriers to contribute to the OUSF (Reply Comments of Frontier, GVNW, and OTA)
- The OUSF's ongoing importance in serving historically underserved communities (Reply Comments of Staff; Opening and Reply Comments of Warm Springs Telecommunications Company; Opening Comments of OTA)
- Considering elimination of the OUSF because it has fulfilled its statutory purpose (Closing Comments of Comcast and Verizon)
- Moving forward with laying a foundation for the transition to a broadband funding mechanism (Reply Comments of OTA, AT&T, and Frontier)
- Waiting for FCC action before moving forward with determining whether an intrastate broadband funding mechanism is needed (Opening Comments of TRACER; Reply Comments of Comcast and Integra Telecom)

After reviewing the parties' comments, we find that many of the issues addressed in the comments deserve more time and careful consideration than is available at this stage of the docket, particularly given the possibility of legislative action on universal service in early 2011. As a result, we defer ruling on the parties' comments at this time, with the intent to take them up again shortly in a continued proceeding.

2. Accountability

In their comments, several parties raised concerns about accountability and transparency of the OUSF.¹ In response to these concerns, we reaffirm our expectation that any company receiving distributions from the OUSF must be able to document and demonstrate how the funds were used to support high-cost areas in Oregon.

We find that rural companies that primarily serve high-cost areas currently document and report the use of OUSF distributions through their annual access charge filings. This process requires the reporting and review of OUSF support, which is used to offset access charges when the rates are developed.

We further find, however, that interim measures should be adopted for non-rural companies to further promote OUSF transparency and accountability. First, we clarify 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. Second, the non-rural companies must, 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). The non-rural companies must prepare these reports at an aggregate level and provide all supporting documentation to facilitate any audit performed by our Staff.

Finally, we also open a second phase of this docket to further examine what additional reporting and auditing requirements should be imposed on companies receiving OUSF distributions.

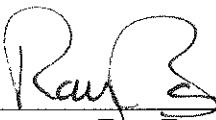
¹ See, e.g., Closing Comments of Comcast, OCTA, and Verizon.

ORDER

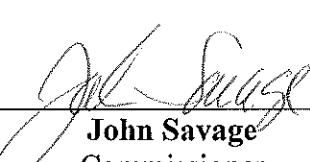
IT IS ORDERED that:

1. Consideration of the substantive issues raised by the parties is delayed until after the 2011 legislative session; and
2. Interim reporting requirements are adopted, and a new phase of this docket is opened, to further promote the transparency and accountability of the Oregon Universal Service Fund.

Made, entered, and effective DEC 28 2010.



Ray Baum
Chairman



John Savage
Commissioner



Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.