

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

In the Matter of

PUBLIC UTILITY COMMISSION OF OREGON
Staff Investigation of the Oregon Universal
Service Fund

UM 1481

**REPLY COMMENTS OF
GVNW CONSULTING, INC.**

November 23, 2010

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INTRODUCTION AND BACKGROUND

GVNW Consulting, Inc. (GVNW) is a management consulting firm that provides a wide variety of consulting services, including regulatory and advocacy support on issues such as universal service, intercarrier compensation reform, and strategic planning for communications carriers in rural America, including the state of Oregon.

The purpose of these reply comments is to respond to the comments filed in the UM 1481 docket established to discuss the future of the Oregon Universal Service Fund (OUSF).

We support the comments filed and reply comments that will be filed by the Oregon Telecommunications Association. We offer the additional reply comments for the Commission's consideration.

FEDERAL REGULATORY DEVELOPMENTS MAY NECESSITATE FUTURE CHANGES TO OUSF

The current OUSF was established for the rural carriers as a “revenue neutral”

mechanism. The OPUC staff has reflected this fact in their response to question 5:

For the small companies, the OUSF payments were and are used to reduce the Carrier Common Line Charge (CCL) component of their intrastate access rates on a revenue neutral basis.

In the comments filed, it appears that some of the parties may not be aware that rural companies receive OUSF on a revenue neutral basis. At page 3 of their comment filing, Comcast states in reference to rural OUSF that “*particularly in light of numerous other revenue streams that support the same ILEC networks*”. This statement could be interpreted as not understanding the revenue neutral nature of OUSF for rural carriers in Oregon. The Oregon Cable Telecommunications Association (OCTA) offers a similar statement at page 2 of their comment filing: “*the OUSF support has likely helped pay for the networks that provide these services.*”

Unless there is a plan to alter the revenue neutral nature of OUSF for rural carriers, there is the potential need to monitor the current debate within the federal policy arena that could result in revenue requirement being shifted to the intrastate jurisdiction. For example, the state members of the Federal-State Joint Board proposed earlier this year to add a number of separations categories. While a detailed description of that proposal is beyond the scope of this UM 1481 docket, the end product if such an FCC rule change were to be adopted would be to shift revenue requirement to the intrastate jurisdiction for

some of the rural Oregon wireline carriers. We examined the potential impact on one rural Oregon carrier (Helix) if the state members' proposal were to be adopted and found that it would shift almost \$13 per customer per month¹ to the state jurisdiction.

We recommend that any language that the Commission may adopt in this proceeding include a provision that if federal regulatory changes result in the shift of revenue requirement to the state jurisdiction that rural wireline carriers be provided the opportunity for recovery in order to avoid a confiscation issue.

THE TIME HAS COME TO END THE WIRELESS EXEMPTION FROM CONTRIBUTING TO THE OUSF

At the time the contribution mechanics of the OUSF were created, a policy decision was made to exempt wireless providers from contributing to the OUSF. This decision was made in part based on a perception that wireless at that time was an emerging or nascent business that should not be burdened with such a contribution responsibility. While we will pass on debating whether that choice was in fact a good decision to a later date, the plain fact of the matter is that now the wireless platform is robust and capable of contributing to OUSF on an equitable basis.

¹ While we understand the purpose of Century Link's comments at page 10 of their filing that USF policies based on the size of the provider should be changed, we offer a word of caution to the Commission. The denominator in the rate equation for a multi-state company such as Century Link is much larger than for most other Oregon providers. Depending on the types of changes that may occur at the federal level, the size of the carrier may well be an issue if part of the "solution set" is to increase Subscriber Line Charges. Carriers like Century Link would then generate substantially more revenue offsets from such a plan, and it could be necessary for the Oregon Public Utility Commission to consider the size of the carrier in their policy deliberations.

Further, wireless companies utilize the facilities of wireline companies for significant portions of the calling transport and completion architecture. In this regard, the Commission must be cautious to recognize the interdependence that wireless carriers have on wireline networks. The mobility provider depends on the wireline provider in its call completion architecture. Current wireless, VoIP, and satellite networks require a connection to land line infrastructure to provide full functionality. This network reality is documented in *Wireless Needs Wires: The Vital Role of Rural Networks in Completing the Call*, published by the Foundation for Rural Service in March, 2006. This paper states in part:

Without thoughtful consideration by policymakers of the challenges of providing wireless services in rural America, as well as the dependence of wireless services on wireline networks, portions of the nation are likely to remain underserved . . . Most importantly, one must recognize that without the underlying wireline network, wireless networks could not exist in their current form. In spite of this obvious fact, large wireless carriers and policymakers alike continue to pursue practices and policies that will in fact undermine the critical wireline network. While discussions on how to modify reciprocal compensation, access charges, and universal service continue, attention must be placed on ensuring these mechanisms are capable of maintaining the fiscal health of that wireline network.

It is time for the Oregon Public Utility Commission to remove the exemption for wireless carriers from contributing to the OUSF.

Respectfully submitted

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