Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Federal-State Joint Board	)	CC Docket No. 96-45
on Universal Service	)	

COMMENTS OF THE
PUBLIC UTILITY COMMISSION OF OREGON

The Public Utility Commission of Oregon ("Oregon Commission") welcomes this opportunity to comment on proposed reforms to the federal universal service High Cost Fund set forth in three *Notices of Proposed Rulemaking (NPRMs)* released on January 29, 2008, in WC Docket No. 05-337 and CC Docket No. 96-45. These three notices are FCC 08-22 (*Joint Board Comprehensive Reform NPRM*), FCC 08-5 (*Reverse Auctions NPRM*), and FCC 08-4 (*Identical Support Rule NPRM*).[1]

I. SUMMARY

A. Joint Board Comprehensive Reform NPRM

The Oregon Commission supports the reform proposal put forth by the Federal-State Joint Board on Universal Service (Joint Board) in its *Recommended Decision* of

[1] *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 08-22 (released January 29, 2008) (*Joint Board Comprehensive Reform NPRM*); *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 08-5 (released January 29, 2008) (*Reverse Auctions NPRM*); *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 08-4 (released January 29, 2008) (*Identical Support Rule NPRM*).

November 20, 2007. We urge the FCC to quickly address the remaining issues identified by the Joint Board and implement the proposal.

B. Reverse Auctions NPRM

The Oregon Commission concurs with the Joint Board that reverse auctions may offer advantages as a mechanism for allocating support funds for mobility and broadband services and we recommend that the FCC explore the most appropriate auction mechanisms or other competitive bidding mechanisms for those services. However, we do not agree with the implication in the *Reverse Auctions NPRM* that a reverse auction mechanism is a good way to allocate funds for wireline voice services. We recommend that the FCC give states flexibility in their choice of competitive bidding mechanisms. We also urge the FCC to work closely with the states on the design of reverse auctions and other forms of competitive bidding.

C. Identical Support Rule NPRM

The Oregon Commission supports elimination of the identical support rule for determining the amount of support for competitive eligible telecommunications carriers (CETCs), but we oppose the alternative "own costs" method proposed in the *NPRM*. Instead, we recommend that the FCC adopt the Joint Board's framework for providing support to wireless carriers.

II. JOINT BOARD COMPREHENSIVE REFORM NPRM

The Oregon Commission supports the reform proposal put forth by the Joint Board in its *Recommended Decision* of November 20, 2007. We support adoption of the proposal for the following reasons.

First, the Joint Board proposal creates a new broadband fund that will bring needed broadband services to rural and other high-cost areas of the country lacking access to broadband services. To date, broadband has not been formally designated as a service to be supported by universal service funds. The Joint Board proposal corrects that and ensures that this essential service reaches consumers in unserved areas throughout the country.

Second, the Joint Board proposal halts the growth in the High Cost Fund by capping each of the three proposed funds. This is a necessary reform to ensure the viability of the High Cost Fund for the long run.[2]

Third, the Joint Board proposal clearly retargets limited support funds to where they are most needed. The Oregon Commission supports the Joint Board proposal to limit the use of support funds to wireless and broadband providers for the build-out of networks to areas where service is not currently available.[3]

Fourth, the Joint Board proposal eliminates many of the inefficiencies in the current support system. The Joint Board proposal establishes a separate capped mobility fund that forces wireless carriers to use support funds to build out to unserved areas. The proposal grants funds to only one provider in each area for each of the supported services (wireline voice, mobility and broadband), thereby avoiding duplicative support among carriers providing the same services. Under the Joint Board proposal, each state would

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[2] While the Joint Board recommends caps on each of the three proposed funds, it seems unnecessary to cap the incumbent local exchange carrier (ILEC) portion of the funds since it has not been growing. On the other hand, the Joint Board recommendation is silent regarding any adjustments that will likely be needed as a consequence of intercarrier compensation reform. These adjustments should be considered going forward.

[3] Any debate about "unserved" or "under-served" areas is largely over semantics. The states will each decide their priority needs for the fixed funds they are allocated, within FCC guidelines.

receive a fixed budget to fund infrastructure build-out for broadband and mobility services in unserved areas. This will provide an incentive for states to prioritize and target these funds to unserved areas.

In its *Recommended Decision*, the Joint Board identifies several areas that are in need of further development before its proposal can be implemented. The Oregon Commission urges the FCC to consider ways to iron out these remaining details so that reform can begin as quickly as possible.[4] The FCC should immediately refer these remaining issues back to the Joint Board for further exploration with a final recommendation due by November 1, 2008. This would allow the FCC to adopt the broad concepts of reform contained in the Joint Board *Recommended Decision* this year and then move ahead with the implementation of comprehensive reform during the first half of 2009.

III. REVERSE AUCTIONS NPRM

In its *Reverse Auctions NPRM*, the FCC tentatively concludes that it should develop an auction mechanism to determine high cost support. We disagree with the implication in this conclusion that a reverse auction mechanism is the best approach for distributing all funds. We believe that a reverse auction mechanism could be a good way to distribute funds for mobility and broadband services, but not for wireline voice services. We urge the FCC to give states the flexibility to choose among several possible

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[4] The Joint Board proposal did not tackle some basic inequities in how high-cost support is distributed among non-rural ILECs and among the states. The FCC should go further and replace statewide averaging with wire center level costs in its calculation of High Cost Model support to distribute non-rural ILEC support more equitably across the states. This could be achieved within the proposed POLR Fund.

competitive bidding mechanisms, one of which could be reverse auctions. Also, the FCC should consult with states on the design of auction mechanisms.

Further, the FCC seems to conclude that the best way to proceed is for the states to implement a pilot program to disburse high cost support targeted to broadband internet access services. We believe it is time to move forward comprehensively with the Joint Board framework for distributing high cost funds for broadband, mobility, and wireline services.

IV. IDENTICAL SUPPORT RULE NPRM

In its *Identical Support Rule NPRM*, the FCC tentatively concludes that the identical support rule currently used to determine support for CETCs be eliminated and replaced with a system based on the CETCs' own costs. The Oregon Commission agrees that the identical support rule should be eliminated. However, we disagree with the FCC's proposal to use CETCs' own costs as a replacement. The "own costs" proposal does not eliminate the possibility that multiple wireless carriers could be supported in a given region. Further, the proposal does not ensure that wireless infrastructure will be built out to unserved areas. In addition, the "own costs" proposal must rely on hypothetical costs rather than actual costs. Finally, the proposal is inconsistent with the FCC's apparent preference for reverse auctions to distribute funds.

We recommend that the FCC adopt the Joint Board's framework for providing support for wireless services. The Joint Board's proposal avoids the complications presented by the "own costs" proposal. In the Joint Board approach, support flows to only one wireless carrier for a specific build-out project in an unserved area defined by

the state. CETC bids for specific wireless build-out projects set the cost basis for support and the winning CETC will bear the consequences if it errs in determining its costs.

V. CONCLUSION

For the reasons described above, the Public Utility Commission of Oregon urges the FCC to adopt the universal service High Cost Fund comprehensive reform proposal outlined by the Joint Board in its November 20, 2007, *Recommended Decision*. We support elimination of the identical support rule for determining CETC support as proposed in the *Identical Support Rule NPRM*. We ask that the FCC weigh other issues presented in both the *Identical Support Rule NPRM* and the *Reverse Auctions NPRM* in light of whether, and how, the proposals fit into the framework for reform proposed by the Joint Board, and immediately refer to the Joint Board any further issues for deliberation.

April 17, 2008

Respectfully submitted,

THE PUBLIC UTILITY COMMISSION
OF OREGON

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