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 on Universal Service	CC Docket No. 96-45
Lifeline and Link Up	WC Docket No. 03-109
Universal Service Contribution Methodology	WC Docket No. 06-122
Numbering Resource Optimization	CC Docket No. 99-200
Implementation of the Local Competition Provisions in the Telecommunications Act of 1996	CC Docket No. 96-98
Developing a Unified Intercarrier Compensation Regime	CC Docket No. 01-92
Intercarrier Compensation for ISP-Bound Traffic	CC Docket No. 99-68
IP-Enabled Services	WC Docket No. 04-36

REPLY COMMENTS OF
OREGON-IDAHO UTILITIES, INC.
HUMBOLDT TELEPHONE COMPANY

December 22, 2008

Oregon-Idaho Utilities (OIU) and Humboldt Telephone Company (HTC) respectfully present their reply to the Opening Comments filed in these proceedings on November 26, 2008. OIU participated in the opening round of comments as a member of the Oregon Telephone Association.

I. BACKGROUND.

OIU and HTC are related incumbent LECs which operate two contiguous study areas serving extremely rural areas in the states of Oregon, Idaho, and Nevada. Their combined study areas encompass an area exceeding 10,000 square miles, which is greater than twice the size of the State of Connecticut. Within this area the two companies serve a total of approximately 1,900 access lines. By reason of these demographics, both OIU and HTC qualify as extremely high-cost ILECs, and they are heavily dependent on access revenues and related support mechanism to meet their high costs of operation.

II. OPENING COMMENTS.

OIU and HTC have reviewed the Opening Comments filed on behalf of rural Rate of Return Companies. They are represented as members of several of the commenting parties, and OIU and HTC fully support the detailed comments filed on their behalf by NTCA, NECA, and GVNW. These Comments well illustrate the perils presented in the three proposals appended to the FNPRM issued November 5, 2008, as FCC 08-262.

III. SPECIFIC FURTHER COMMENTS OF OIU AND HTC.

OIU and HTC do not have the time or resources to address fully the myriad issues presented by the FNPRM.. They do, however, offer the following summary observations on issues of major concern.

TIMING AND DATA

The FNPRM was released under a schedule that does not allow sufficient time to respond to the complex issues it addresses and purports to resolve. A review of the title page discloses the length of time that these matters have been pending before the Commission. Over a period of years, the Commission has received extensive filings on these issues, including a NARUC-sponsored comprehensive, negotiated proposal (The Missoula Plan) and a USF-related proposal from the Federal-State Joint Board. Either one of the aforementioned proposals could have served as a vehicle for further comments and action by the Commission. Instead, the FNPRM proposes three new alternative "solutions" with an unreasonably short comment cycle. This approach may technically comply with due process requirements, but it does not allow affected parties a reasonable opportunity to respond. The proposals are bereft of any actual data that would show the impact of rural Rate of Return ILECs, and the parties have no real opportunity to illustrate to the Commission the risks and dangers inherent in the three alternative plans. There is no need for this rush to judgment, and the Commission should allow sufficient time for the development of a USF/ICC plan that will fully consider the potential impacts of the plan on rural, Rate of Return ILECS.

AREAS OF CONSENSUS

Pages 2-3 of the Opening Comments of NTCA refer to areas of consensus reflected in the November 5, 2008 Joint Statement of Commissioners Copps, Adelstein, Tate, and McDowell, which are moving intrastate access rates to interstate levels, avoiding undue burden on consumers from rate increases not tied to access rate reductions, addressing phantom traffic and traffic stimulation, implementing alternative cost recovery mechanisms to offset lost access revenues, eliminating the identical support rule while moving to each company's actual costs as the basis of USF distribution, and emphasizing the importance of universal deployment of broadband service. OIU and HTC fully support these objectives.

The NTCA comments go on to demonstrate that none of the Proposed Orders in the FNPRM would result in achieving these objectives. OIU and HTC agree with NTCA's analysis and fully support the alternative actions summarized at pp 3 - 7 of the NTCA comments.

ACCESS COST RECOVERY

The Commission should retain the current cost-based access charge system represented in the NECA tariffs. It is fair to all and provides for recovery of the appropriate allocation of actual operating costs. All users of small ILEC access facilities should pay these access charges. There is no basis for exempting VoIP or other packet-switched telephone traffic from the payment of access charges when their use of small ILEC access facilities is indistinguishable from other "traditional" PSTN traffic. All users of small ILEC access facilities should pay these cost-based charges.

If access charges are eliminated, the result will be an increase in the requirement for external support funding. It makes no sense to increase external support funding by eliminating the current access charge revenue stream that is being paid by users of the system.

OIU and HTC support proposals to move intrastate access charges to interstate levels. This would greatly simplify access billing and eliminate the current incentive that causes long-distance carriers to misrepresent the actual status of access traffic. They do not, however, support the proposal in the FNPRM to create an single access rate for all carriers using an artificial calculation supposedly based on a form of "incremental" costs. Current access charges for small ILECs are based on the true costs that the ILEC incurs each day in furnishing these services. The rate suggested in the FNPRM would have no relation whatever to a company's actual cost of providing the access service that is properly chargeable to the user of that service.

BROADBAND BUILDOUT AND THE PROPOSED USF CAP

OIU and HTC fully support the proposal to extend broadband service availability to all Americans, even those located in high-cost areas. OIU and HTC currently make broadband access service available to approximately 80% of their rural customers, and they are moving forward with plans to deploy the additional facilities required to extend this service to the remaining 20% of their customers, who are located in the most remote areas of the OIU and HTC service territories.

There are, however, two problems with the Commission's broadband-related proposals set forth in the FNPRM. The first problem is the 5-year buildout requirement. OIU and HTC currently encounter time-consuming environmental approval requirements from federal, state, local, and tribal authorities which routinely add 2-3 years to construction projects involving outside plant. The final rules in this area should provide a waiver process administered by state commissions that could grant extensions of the 5-year requirement upon showing of appropriate reasons for delay.

The second problem with the Commission's broadband requirement is the proposal for individual company USF "caps" based on current costs. For many companies, a USF cap would not present a problem, because their current facilities allow them to provide universal availability of their broadband service. Other companies, however, including OIU and HTC, will need to deploy additional outside plant to meet the broadband service requirement. This additional construction will increase loop costs and result in an increase in loop USF revenue requirement. To require additional construction but limit the very cost recovery associated with that construction amounts to an unfunded mandate and is unfair to the affected companies. The Commission should note that the total USF support requirements of small ILECs has remained constant over the years. There is no apparent need for a cap on individual company loop costs, when the overall fund has not been growing.

THE PROPOSED AUCTION MECHANISMS SHOULD BE REJECTED

The FNPRM contains various proposals that would introduce an untried and untested system of "reverse auctions" as a supposed solution to cost issues associated with universal service support. These proposals are unwise and would create an instability for rural ILECs that would defeat the goals of universal service and broadband deployment.

The auction proposals ignore the economic reality of providing universal telecommunications services in high-cost rural areas. Rural ILECs have invested billions of dollars in outside plant facilities which have a capital recovery period of 25-30 years. Additional investment in these facilities is essential if the Commission's universal service and broadband goals are to be met. The introduction of any auction system associated with universal service support would eliminate the ability to make these long-term investments due to the uncertainties associated with future universal service support. Section 254 of the Telecommunications Act of 1996 requires that the support provided by universal service mechanisms be both sufficient and predictable. Auctions meet neither of these requirements.

Furthermore, the auction proposals may create the illusion of a "level playing field," but in truth they are biased against the incumbent service provider. The rural ILEC brings to the reverse auction its millions of dollars in investment, hundreds of miles of service facilities, and the experienced employees who operate these facilities to provide service to their rural families and business customers. The other auction participants pony up their "commitments" to provide service in the rural area. The analogy that comes to mind is a poker game where the "mark" is betting real dollars, while the other participants utilize IOUs.

The Commission should reject any auction-related proposals in connection with the system of universal service funding.

December 22, 2008.

Respectfully Submitted,

OREGON-IDAHO UTILITIES
HUMBOLDT TELEPHONE COMPANY

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