

**OREGON EXCHANGE CARRIER
ASSOCIATION, INC.**

2010 ANNUAL REPORT

FOREWORD

The Oregon Exchange Carrier Association, Inc. (OECA, Inc.), a non-profit corporation, was formed April 30, 1986. OECA, Inc. is the successor to a non-profit association called the Oregon Exchange Carrier Association that was in existence from January 1, 1984 until April 30, 1986.

OECA, Inc. is a non-stock corporation whose membership consists of 30 Local Exchange Telephone Companies (LECs) operating within the state of Oregon. OECA, Inc. is involved in developing and filing intrastate access tariffs, pooling the revenues which are derived from the access charges, and distributing those revenues to its member companies.

OECA, Inc. also provides, through its "Docket Rules of Procedure", an open forum for member companies and other interested parties to jointly discuss and consider proposals affecting rates and conditions for jointly provided Oregon intrastate telecommunications services.

On March 12, 1999 the Oregon Public Utility Commission (OPUC) designated OECA, Inc. to be the administrator of the Data Distribution Center (DDC) in the state of Oregon. The DDC receives originating intraLATA access records from participating companies, and produces and distributes terminating and transiting intraLATA access records to all LECs. These records are used to bill terminating access to intraLATA carriers. Prior to the implementation of the DDC, intraLATA terminating access was billed based upon terminating to originating minute ratios. With the advent of the DDC, terminating access is now billed based upon actual usage. The DDC became operational for billing purposes on July 20, 2001.

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OECA, INC. MEMBER COMPANIES

Asotin Telephone Company
Beaver Creek Cooperative Telephone Company
Canby Telcom
Cascade Utilities, Inc.
CenturyTel of Eastern Oregon
CenturyTel of Oregon
Citizens Telecommunications Co. of Oregon
Clear Creek Mutual Telephone Company
Colton Telephone Company
Eagle Telephone System, Inc.
Gervais Telephone Company
Helix Telephone Company
Home Telephone Company
Malheur Bell Telephone Company
Molalla Communications Company
Monitor Cooperative Telephone Company
Monroe Telephone Company
Mt. Angel Telephone Company
Nehalem Telecommunications, Inc.
North State Telephone Company
Oregon Telephone Corporation
Oregon-Idaho Utilities, Inc.
Peoples Telephone Company
Pine Telephone System, Inc.
Pioneer Telephone Cooperative
Roome Telecommunications, Inc.
Scio Mutual Telephone Association
St. Paul Cooperative Telephone Association
Stayton Cooperative Telephone Company
Trans-Cascades Telephone Company

ADMINISTRATION

The Administrative Staff is responsible for managing the pooling and distribution of intrastate access revenues, monitoring pool results, preparing and filing access tariffs and providing support to the Board of Governors and various OECA, Inc. committees. Administrative Staff also provides support for the Rate Bureau activities of OECA, and oversees the administration of the Data Distribution Center. In addition to these activities, Administrative Staff provides a billing service for the FGB and FGD access of certain member companies.

2010 Administrative Staff consists of:

Craig Phillips	-	Administrator
Ena Bezley	-	Data Analyst
Bob Kennedy	-	Billing Analyst
Duane Vollrath	-	DDC Coordinator

OECA, INC. ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2010

Administrator Fees	\$279,022
Rate Bureau	47,183
Meetings, Travel & miscellaneous	7,911
D & O and Liability Insurance	6,332
Legal and Accounting Fees	<u>13,350</u>
Total Administrative Expenses	<u>\$ 353,798</u>

BOARD OF GOVERNORS

The OECA, Inc. Board of Governors consists of eleven member companies, elected from the membership at large. Each member company, who is elected as a Board member, shall designate the individual authorized to act in its behalf as governor.

2010 Governors

The following companies were elected to Board positions at the September 17, 2009 annual meeting. Their term of office was from February 1, 2010 through January 31, 2011.

<u>COMPANY</u>	<u>INDIVIDUAL</u>
Asotin Telephone Co./Home Telephone Co.	GAIL LONG
Canby Telcom/Mt. Angel Telephone Company	DIANA COLEMAN
Cascade Utilities, Inc./ Trans-Cascades Tel Co.	JACK GILBERT
CenturyTel of Oregon/CenturyTel of E. Oregon	JACKIE PHILLIPS* - Sec/Treas
Citizens Telecommunications Co. of Oregon	INGO HENNINGSEN (1)
Monitor Cooperative Telephone Co.	GERI FRAIJO
Monroe Telephone Company	JOHN DILLARD
Oregon Telephone Corp./North State Tel. Co.	DEE DEE KLUSER
Peoples Tel Co./ Stayton Cooperative Tel Co.	DON LAWRENCE* - Chairman
Pioneer Telephone Cooperative	MIKE WHALEN
St. Paul Cooperative Tel. Assoc.	NICK SCHNEIDER* - Vice Chairman

* OECA, Inc. Officer

(1) Renee Willer replaced Ingo Henningsen as the OECA Board representative for Citizens Telecommunications Co. effective September 16, 2010.

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2011 Governors

The following companies were elected to Board positions at the September 16, 2010 annual meeting. Their term of office is from February 1, 2011 through January 31, 2012.

COMPANY

INDIVIDUAL

Asotin Telephone Co./Home Telephone Co.	GAIL LONG* - Sec/Treas
Canby Telcom/Mt. Angel Telephone Company	DIANA COLEMAN
Cascade Utilities, Inc./ Trans-Cascades Tel Co.	JACK GILBERT
CenturyTel of Oregon/CenturyTel of E. Oregon	JACKIE PHILLIPS* (1)
Citizens Telecommunications Co. of Oregon	RENEE WILLER
Monitor Cooperative Telephone Co.	GERI FRAIJO
Monroe Telephone Company	JOHN DILLARD
Oregon Telephone Corp./North State Tel. Co.	DEE DEE KLUSER
Peoples Tel Co./ Stayton Cooperative Tel Co.	DON LAWRENCE* - Chairman
Pioneer Telephone Cooperative	MIKE WHALEN
St. Paul Cooperative Tel. Assoc.	NICK SCHNEIDER* - Vice Chairman

* OECA, Inc. Officer

(1) Jackie Phillips resigned from the OECA Board effective April 29, 2011. Gail Long was elected as Secretary/Treasurer for the remainder of the current term. Barbara Young has been named as the OECA Board representative for CenturyTel effective September 15, 2011.

Original OCAP (1989-1994)

The Oregon Customer Access Plan (OCAP), which was approved by the Oregon Public Utility Commission (OPUC) became effective on January 1, 1989. The OCAP was designed to replace the then existing IntraLATA Telecommunications Plan in its entirety, and remain in place for five years. The OCAP became operational on September 1, 1989, the effective date of the OECA carrier common line (CCL) and switched access tariffs. The original OCAP was terminated January 31, 1994, and was replaced by the 1994 OCAP.

1994 OCAP

The 1994 OCAP was approved by the OPUC to become effective on January 1, 1994, and to remain in place through December 31, 1997 unless extended by the Commission. The 1994 OCAP became operational on February 1, 1994, the effective date of the OECA CCL and switched access tariffs. The 1994 OCAP was extended until August 21, 2003 by the OPUC.

Under the terms of the 1994 OCAP, LECs were required to reduce the portion of their total company revenue requirement recovered from intrastate access charges. This was accomplished by transitioning over the life of the Plan to an unweighted Dial Equipment Minute (DEM) factor, and from an allocation based upon Subscriber Plant Factor (SPF) to an allocation based upon Subscriber Line Usage (SLU). In addition, combined recovery from intrastate and interstate access charges was capped at 85% of a company's total revenue requirement.

A further requirement of the 1994 OCAP was to cap the annual growth in a LEC's intrastate revenue requirement at 10%, or at the percentage growth of its intrastate traffic sensitive access minutes from the prior year, whichever was less. Any LEC having increases in its revenue requirement that exceeded the cost controls could, at its discretion, file a company specific rate additive to recover such amounts outside of the OECA pools. Company specific rate additives were subject to OPUC approval.

Using the guidelines under the Plan, each LEC or group of LECs determined its total prospective switched and carrier common line (CCL) intrastate access revenue requirements and prospective switched and CCL intrastate minutes of use. The difference between the revenue requirements and revenues at a rate level equivalent to \$.05 per access minute determined each LEC's OCAF revenue requirement to be recovered from the Oregon Customer Access Fund (OCAF). Funding of the OCAF was accomplished through a cents per minute charge on all terminating rated CCL switched access minutes in the state of Oregon. The OCAF rate was billed to long-distance carriers for access to the local network.

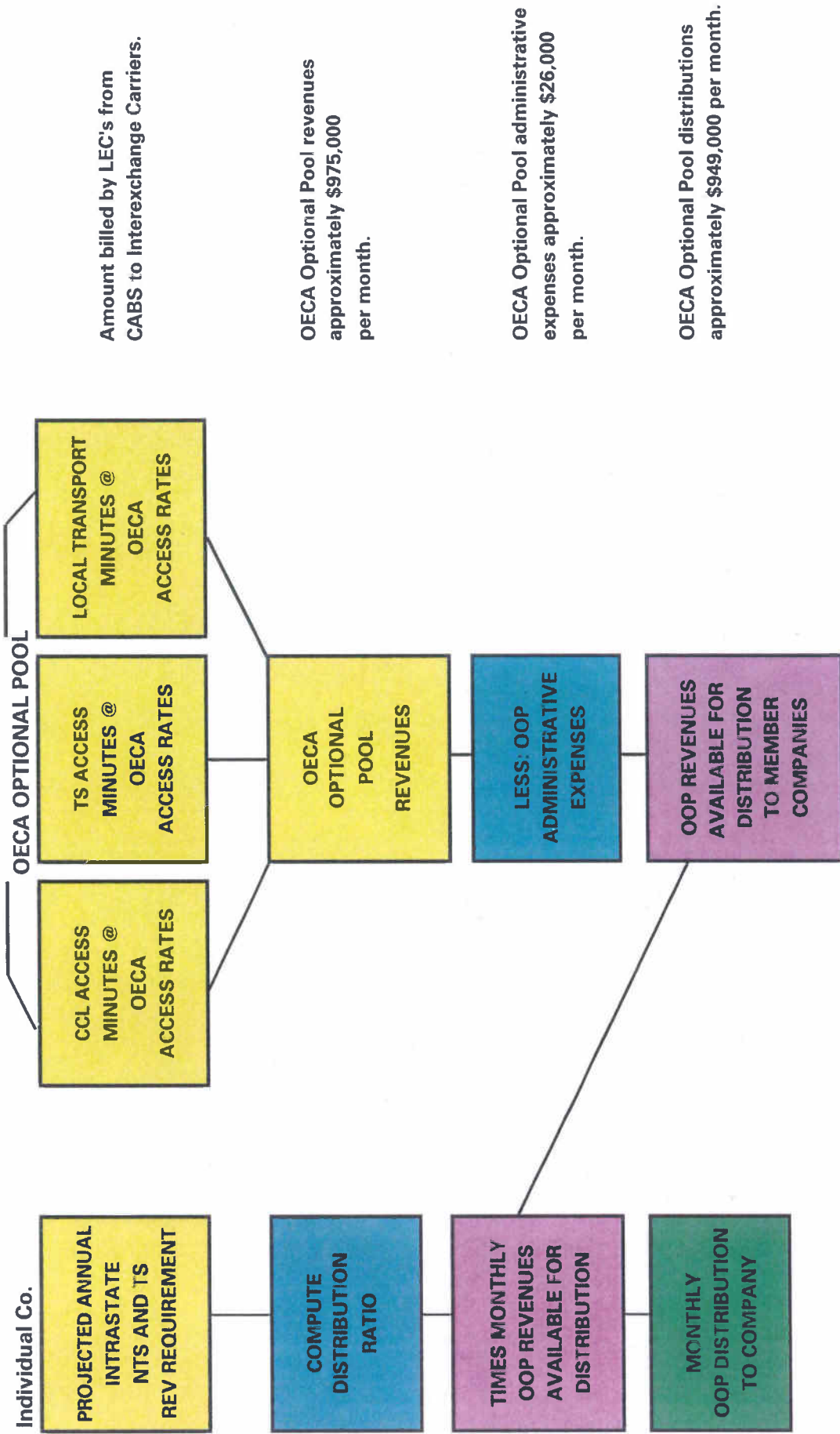
2003 OCAP

Effective August 21, 2003 the OCAP was revised to reflect the Oregon Universal Service (OUS) Fund expansion to include rural carriers. The OUS expansion provides for disbursement of universal service support payments to rural Oregon LECs to mitigate the cost of providing basic telephone service in high-cost areas. The support payments received from the OUS are offset by rate reductions in other telecommunications services. As a first priority the OUS payments are used to reduce a LEC's intrastate CCL revenue requirement. If additional OUS support is available to a LEC after offsetting its CCL revenue requirement, the OUS funds may be used to reduce other rates. As a result of the OUS expansion the OCAP was modified to eliminate the OCAF component of the Plan, making the OCAP self-sustaining without outside funding from non-participating companies. Individual company rate additives that had been used to recover increases in revenue requirements that exceed the cost controls have been eliminated. The total OPUC approved intrastate revenue requirements of OCAP participants are now included in the access rate calculations, and are recovered through access charges billed by participating companies to long distance carriers for access to the local network.

OECA OPTIONAL POOL

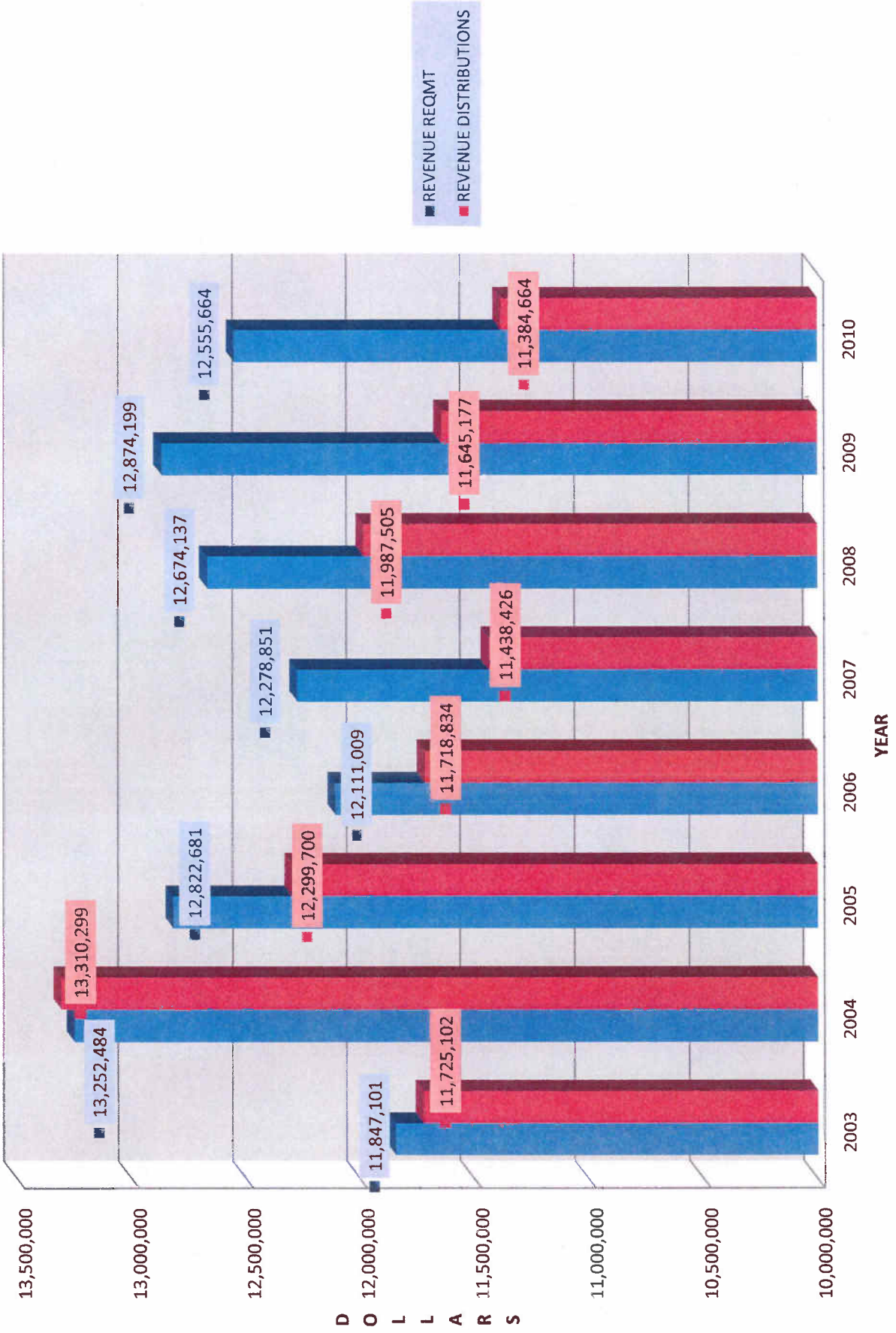
The OECA Optional Pool provides for the pooling of revenues and expenses relating to the participants' intrastate switched access revenue requirements. Revenue requirements for the pool are developed using estimated investment, expenses and separation factors, and are based upon FCC Parts 36 and 69. The switched access elements are subject to the transition requirements contained in the 1994 OCAP. The revenues are collected through access charges billed to long distance carriers for access to the local network.

2010 OECA OPTIONAL POOL SETTLEMENTS

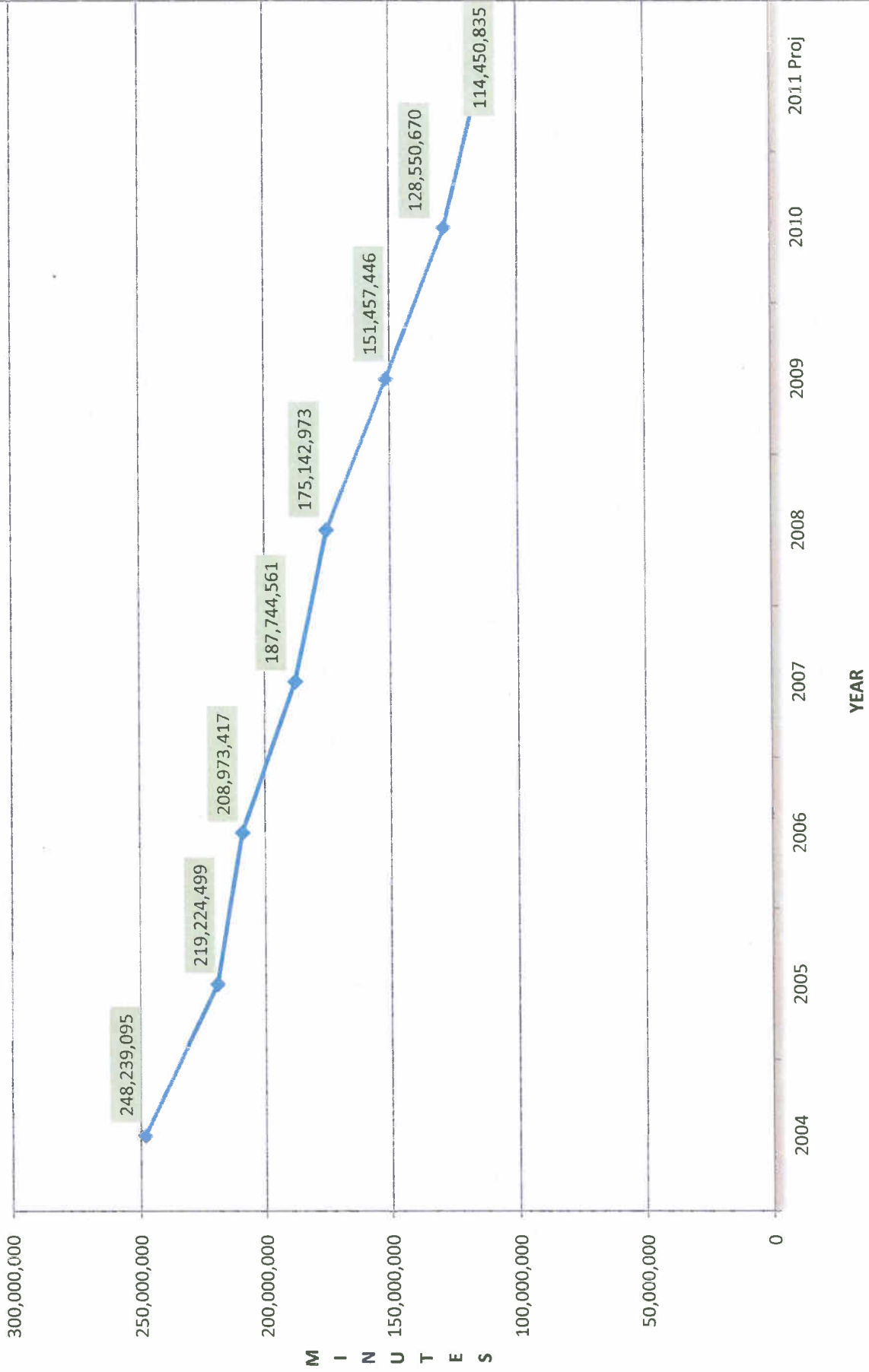


Note: In the flowchart OOP means
OECA Optional Pool

OPTIONAL POOL COVERAGE



OECA TOTAL MINUTES



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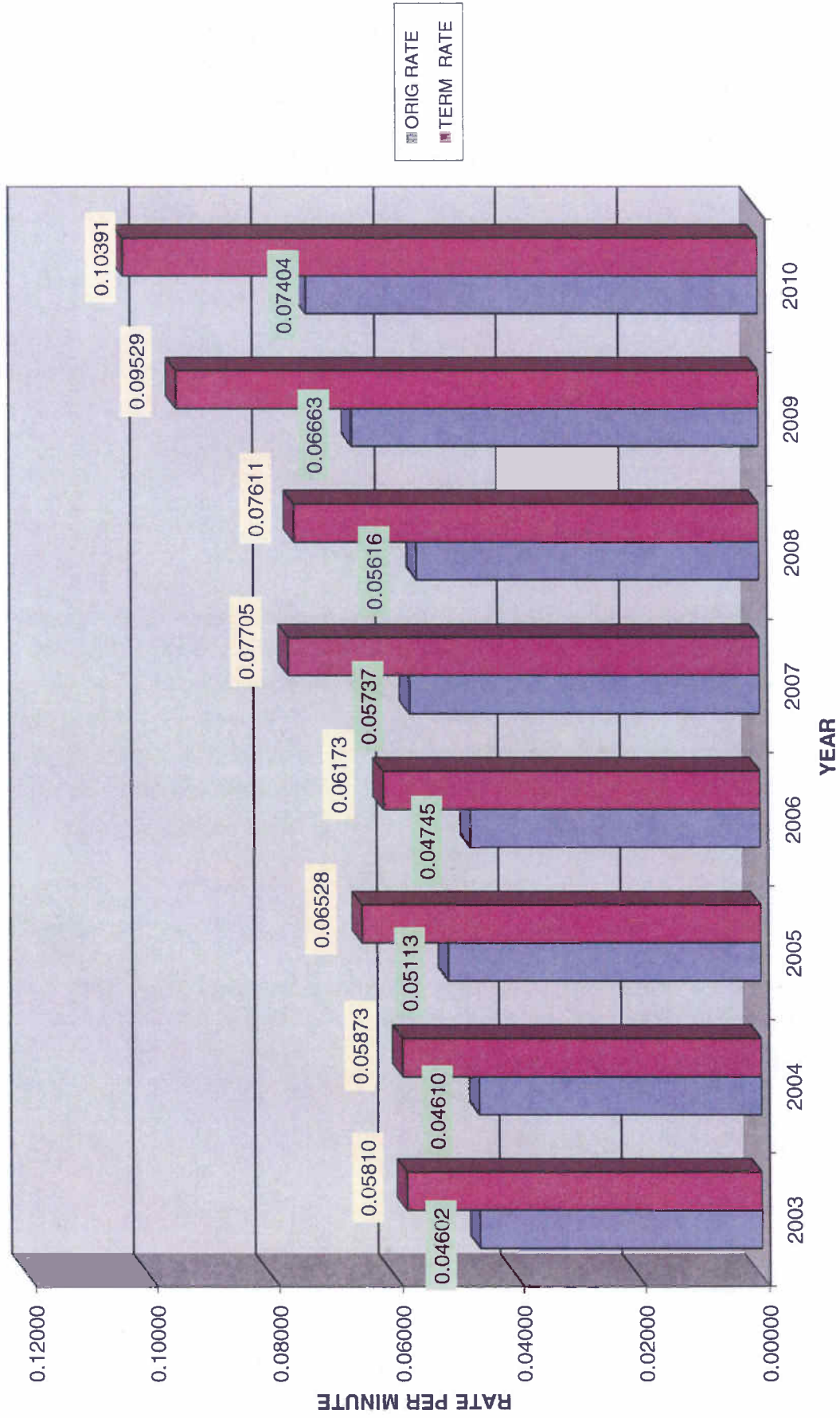
ACCESS RATES

OECA, Inc. composite access rates at year end since inception of the OCAP are as follows:

<u>DATE</u>	<u>ORIGINATING ACCESS PER MINUTE</u>	<u>TERMINATING ACCESS PER MINUTE</u>
12/31/89	\$.0387	\$.0758
12/31/90	\$.0388	\$.0738
12/31/91	\$.0384	\$.0708
12/31/92	\$.0295	\$.0611
12/31/93	\$.0295	\$.0611
12/31/94	\$.0422	\$.0627
12/31/95	\$.0413	\$.0633
12/31/96	\$.0414	\$.0630
12/31/97	\$.0410	\$.0637
12/31/98	\$.0410	\$.0627
12/31/99	\$.0410	\$.0626
12/31/00	\$.0414	\$.0635
12/31/01	\$.0411	\$.0631
12/31/02	\$.0412	\$.0646
12/31/03	\$.04602	\$.05810
12/31/04	\$.04610	\$.05873
12/31/05	\$.05113	\$.06528
12/31/06	\$.04745	\$.06173
12/31/07	\$.05737	\$.07705
12/31/08	\$.05616	\$.07611
12/31/09	\$.06663	\$.09529
12/31/10	\$.07404	\$.10391

The composite access rates are composed of CCL and switched access, including local transport. Terminating access rates through 2002 also include the OCAF rate element.

COMPOSITE ACCESS RATES



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SPECIAL ACCESS and BILLING & COLLECTING POOL COMMITTEE:

Nick Schneider, Chairman
Diana Coleman John Dillard
Geri Fraijo Don Lawrence

The Special Access and B&C Pool Committee oversees the activities of the Special Access Pool and the Billing & Collecting Pool.

OECA SPECIAL ACCESS POOL

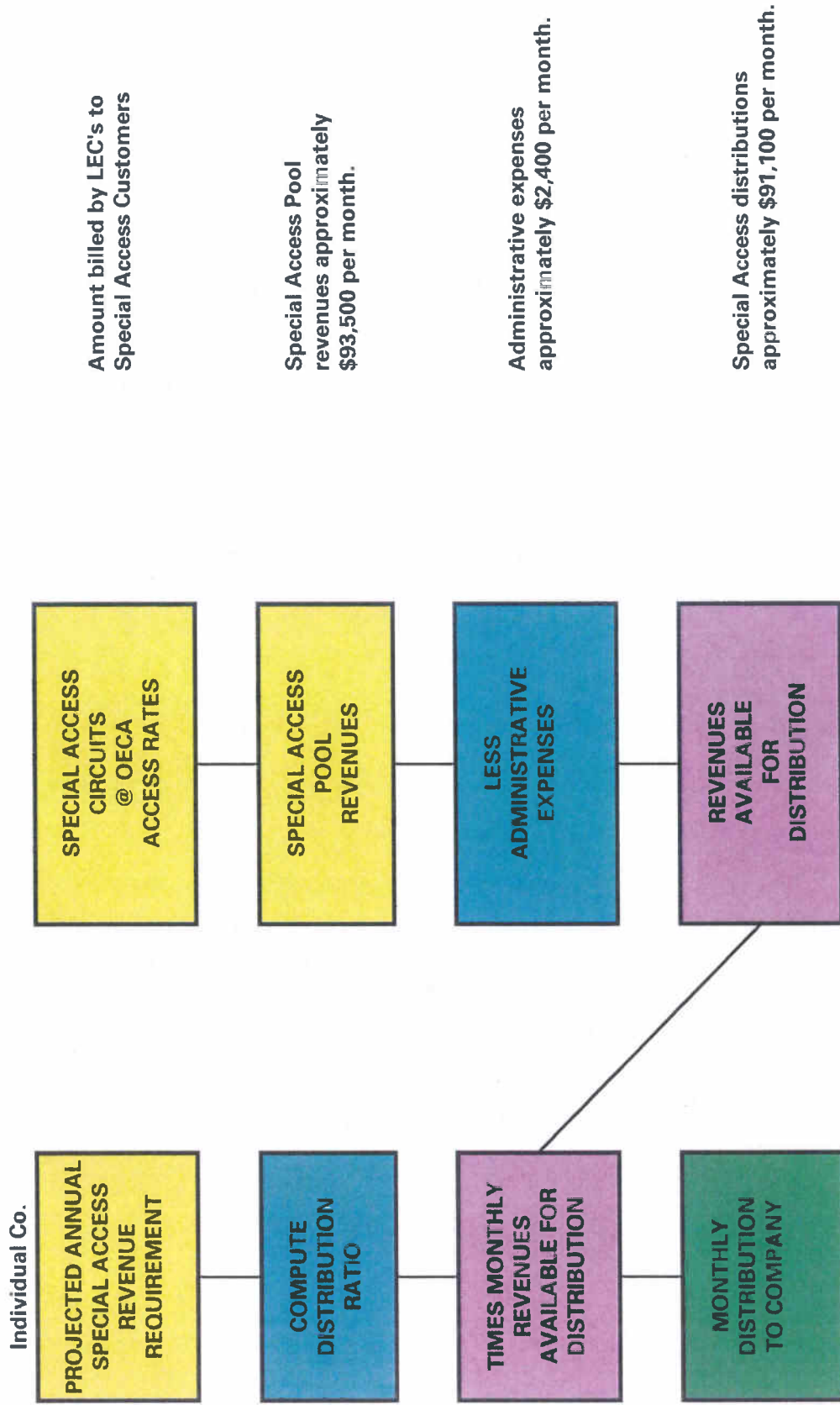
Participation in the Special Access Pool is voluntary. There were twenty- two pool participants in 2010. The access rates charged for Special Access are based upon the projected revenue requirements and projected demand units of the pool participants.

For the period from January 1, 2010 through June 30, 2010 Special Access rates and distribution ratios were based upon projected 2009 demand and revenue requirements. Special Access distribution ratios were adjusted effective July 1, 2010 to reflect projected 2010 revenue requirements after OUSF offsets of \$29,266.

As a result the July 1, 2010 tariff filing the Special Access rates were decreased by 2.8%.

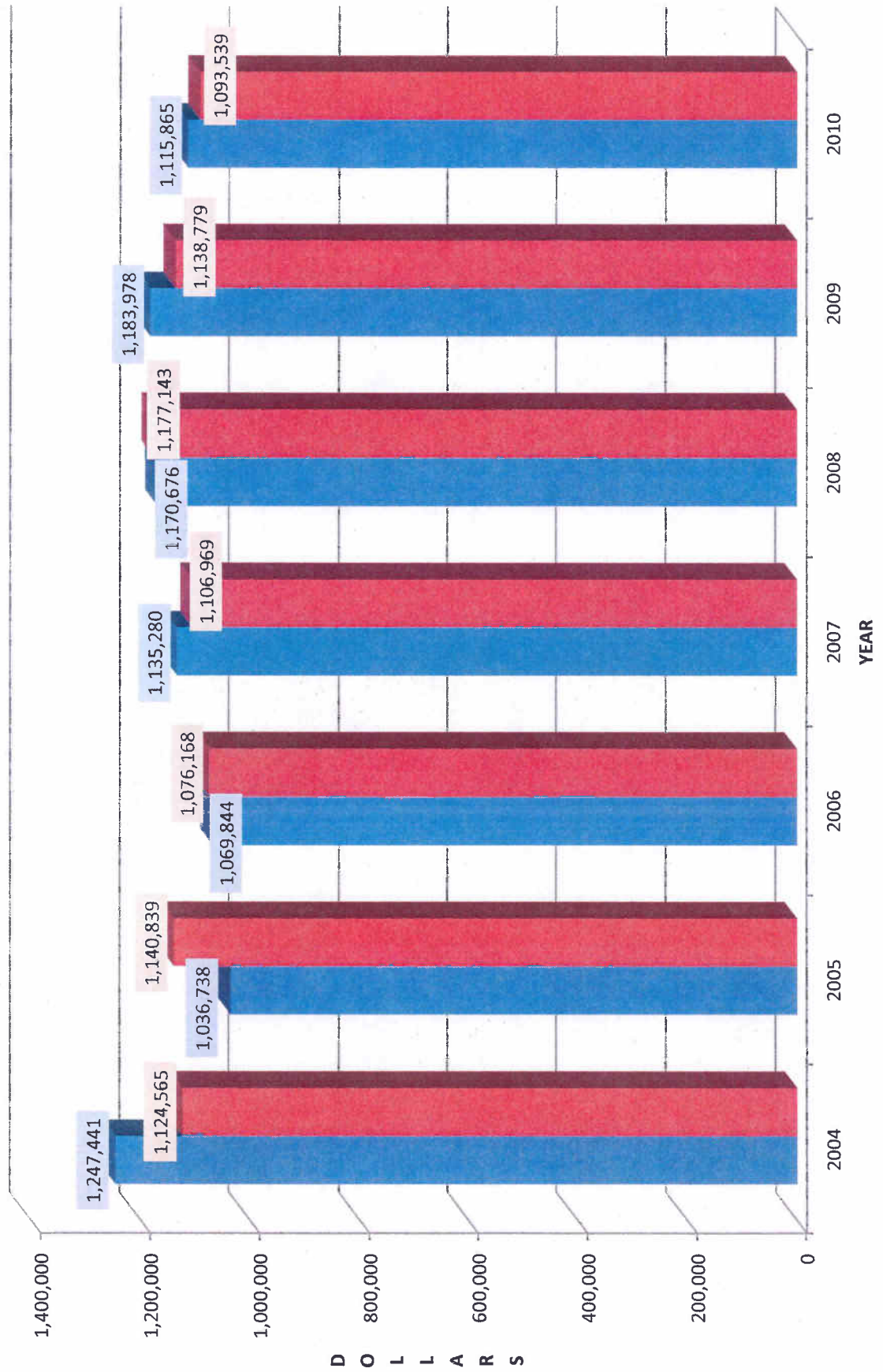
2010 SPECIAL ACCESS REVENUES	<u>\$ 1,121,953</u>
DISTRIBUTIONS	
Distributions to Participants	\$ 1,093,539
Administrative Expenses	<u>28,414</u>
TOTAL DISTRIBUTIONS	<u>\$ 1,121,953</u>

2010 SPECIAL ACCESS POOL SETTLEMENTS



SPECIAL ACCESS POOL PERFORMANCE

■ REVENUE REQMT ■ REVENUE DISTRIBUTIONS



D O L L A R S

BILLING & COLLECTING POOL

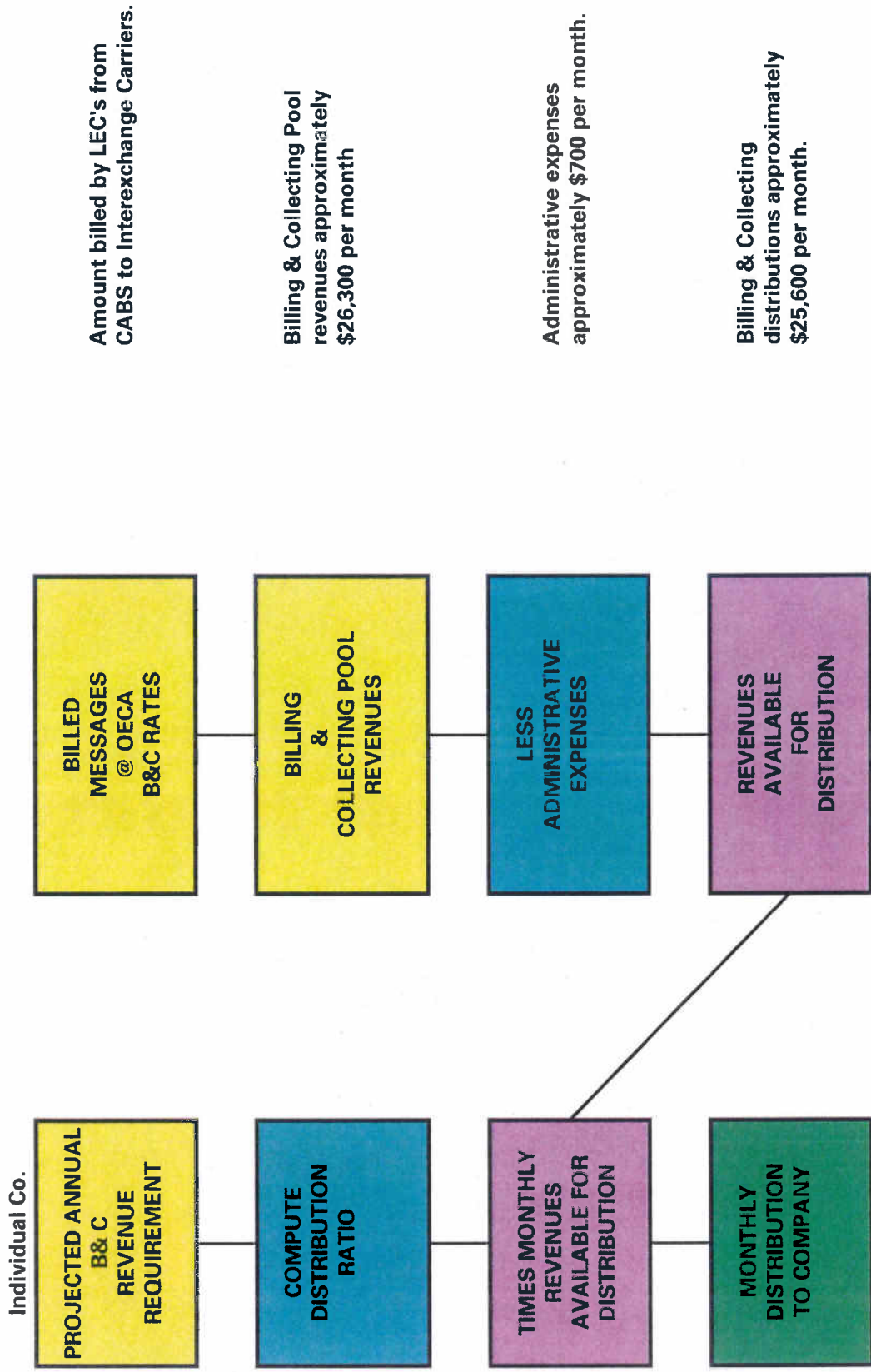
Participation in the Billing & Collecting Pool is voluntary. Eleven companies participated in the Billing & Collecting Pool during 2010. Eagle, Monitor, Monroe and Mt. Angel exited the B&C Pool effective July 1, 2010 reducing the number of pool participants to seven. The access rates charged for Billing & Collecting are based upon the projected revenue requirements and projected messages of the pool participants.

For the period from January 1, 2010 through June 30, 2010 B&C rates and distribution ratios were based upon the projected 2009 demand and revenue requirements as included in the July 1, 2009 tariff filing. On July 1, 2010 B&C rates were adjusted to reflect projected 2010 demand and revenue requirements after OUSF offsets of \$25,284.

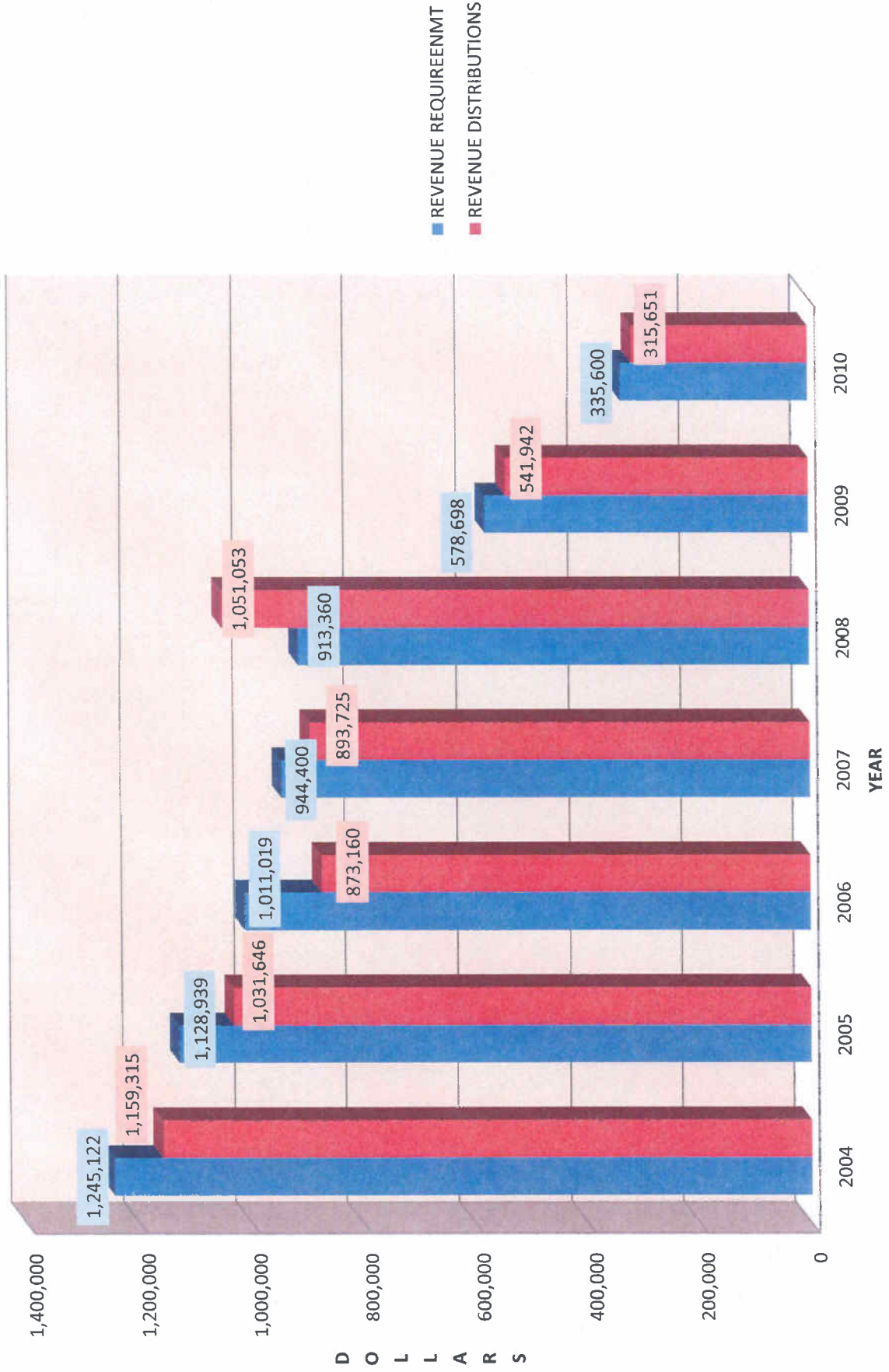
As a result of the July 1, 2010 tariff filing B&C rates were increased by 115.8%

BILLING & COLLECTING REVENUES	<u>\$ 315,651</u>
DISTRIBUTIONS	
Distributions to Participants	\$ 307,539
Administrative Expenses	<u>8,112</u>
TOTAL DISTRIBUTIONS	<u>\$ 315,651</u>

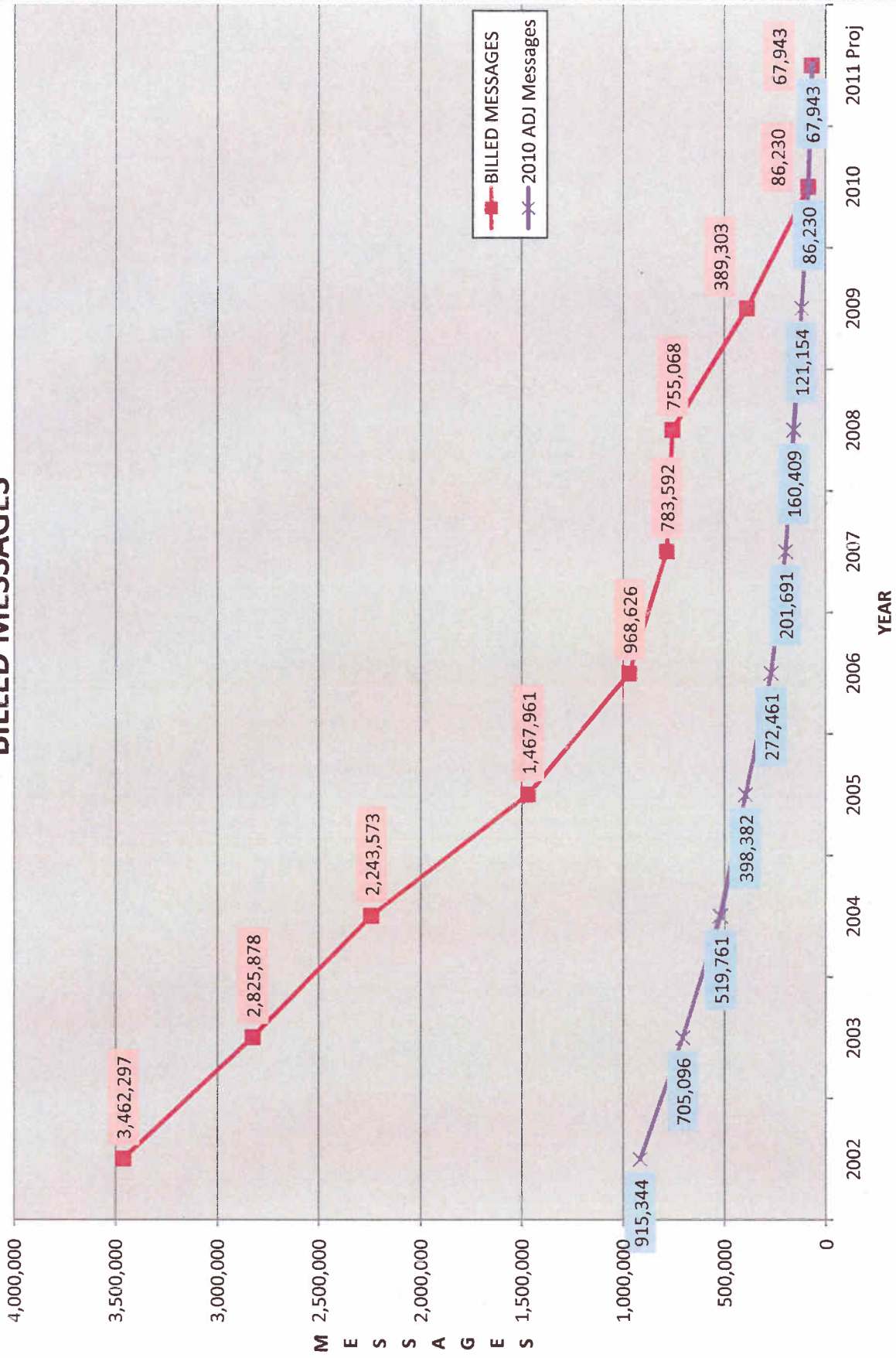
2010 BILLING & COLLECTING POOL SETTLEMENTS



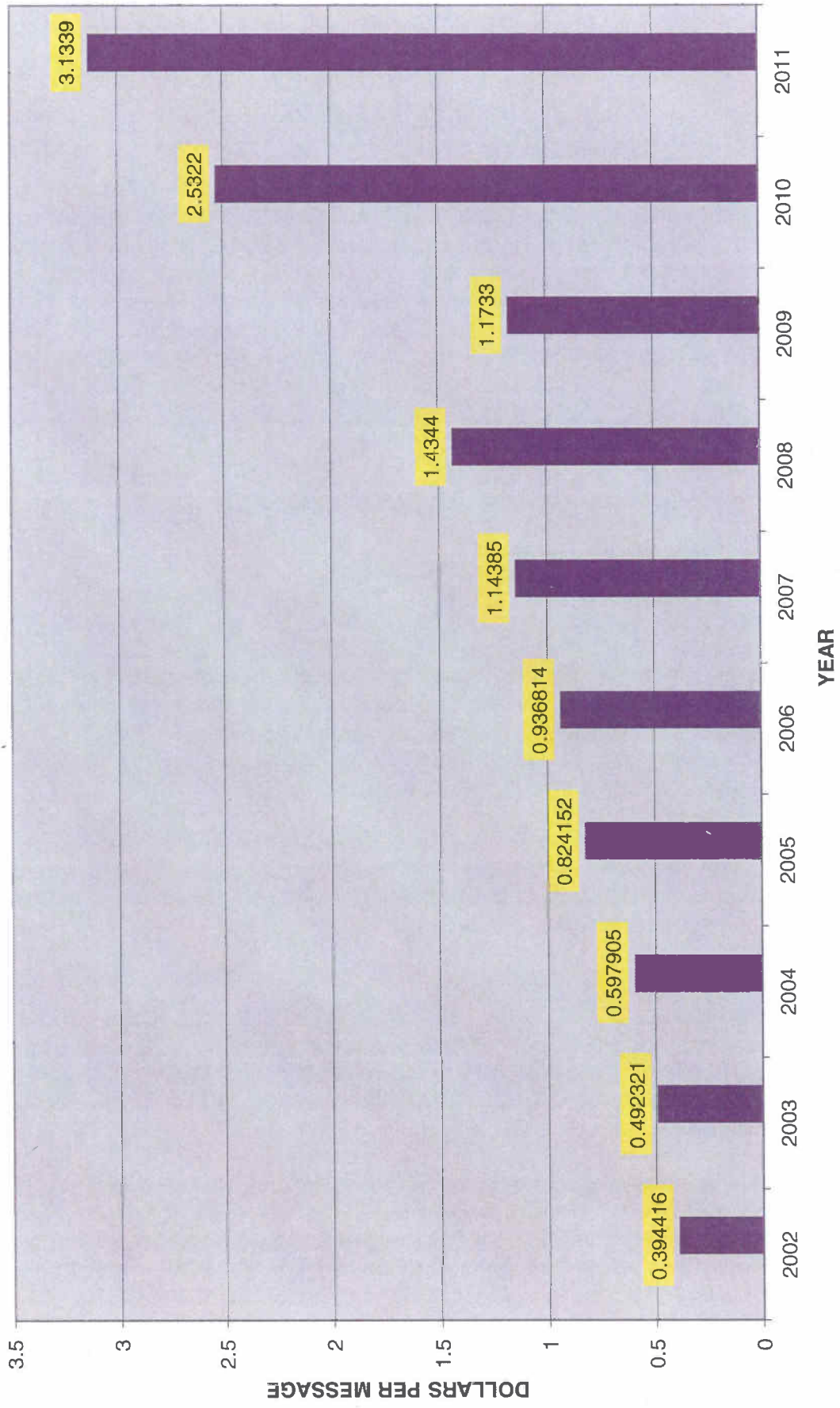
B&C POOL PERFORMANCE



BILLED MESSAGES



BILL PROCESSING RATES



RATE BUREAU

The OECA, Inc., Rate Bureau was formed to provide an open forum for member companies and other interested parties to jointly consider proposals for publication, amendment or cancellation of tariff schedules or related orders, rules, regulations and agreements governing jointly provided Oregon intrastate telecommunication services. The Rate Bureau operates under Rules of Procedure that have been put in place by order of the Oregon Public Utility Commission. All proposals that are considered by OECA, Inc., must be subject to OPUC jurisdiction. Any proposals that are approved by OECA, Inc., through its Rate Bureau docket process must be filed for approval by the OPUC. This structure of open meetings and supervision by the OPUC is intended to give OECA, Inc. member companies as much protection as possible from antitrust liability.

The following dockets were addressed by OECA during 2010:

Docket #97-01 - Data Distribution Center

This docket was opened on January 2, 1997, to investigate the use of a Data Distribution Center (DDC) in the state of Oregon. During 1997 and 1998 industry participants and Commission Staff developed a stipulation calling for the establishment of a DDC in Oregon. On March 12, 1999 the OPUC issued an order approving the stipulation, and designated OECA as the DDC Administrator for the state of Oregon. The DDC implementation phase lasted from January 1999 through July 19, 2001. During this timeframe a series of meetings was held to develop and test the DDC mechanism. The DDC became operational for billing purposes on July 20, 2001.

The DDC is used to create and distribute terminating and transiting access records for intrastate intraLATA FGC traffic. This docket remains open to provide a forum for DDC participants to review and discuss the ongoing operations of the DDC. Docket meetings are being held quarterly.

Docket #04-05 – Phantom Traffic

This docket was opened to investigate the bypass of terminating access charges through: (1) Use of FGC termination of traffic originating from wireless and other carriers, (2) failure of interexchange carriers to modify PIUs, and (3) other causes. A series of work sessions were held jointly with Washington Exchange Carrier Association, who has a similar docket.

Docket participants considered the development of industry standards to help identify and bill for traffic that is terminating to LECs, for which the terminating company is not currently receiving a billable record. A report and recommendation on docket issues was approved by the OECA Board at its September 26, 2005 meeting. The report and recommendation was filed with the Oregon Public Utility Commission with a request that the Commission open a docket to consider phantom traffic issues and consider OECA's proposed recommendations to address the issues. An OPUC workshop on phantom traffic was held on January 17, 2006. Several companies, including OECA, made presentations to the Commission.

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In early 2009, OECA requested that the OPUC reconsider the report and issues raised in this docket. The Commission subsequently established OPUC Docket #UM-1423.

An OPUC workshop was held on May 7, 2009. A traffic study with Qwest involving several of the OECA member companies was completed the end of October 2009. A workshop on the traffic study results was held on July 23, 2010. OECA proposed that call signaling rules be established to help eliminate unidentified or mislabeled calls. Comments on the proposed call signaling rules were submitted to the Commission in August 2010. The Commission issued its decision and concluded that phantom traffic, as defined in this docket, was a minimal problem and that no action was required at this time. OPUC Docket #UM-1423 and OECA Docket #04-05 were closed.

The OPUC has subsequently opened a new docket on least cost routing and other termination issues.

Docket #10-01 – 2010 OECA Mid-Course adjustment to Demand

Mid-course adjustments to the OECA switched access rates were filed January 18, 2010. The filings updated demand to reflect actual reported minutes for calendar year 2009. The filings were approved to become effective March 1, 2010.

Docket #10-02 – 2010 OECA Switched Access Tariff Filings

Revisions to the OECA switched access rates were filed March 15, 2010. The filings updated demand and revenue requirements to estimated 2010 levels. The filings were approved to become effective on July 1, 2010.

Docket #10-03 - 2010 OECA Special Access and Billing & Collecting Rates

Revisions to the OECA special access and billing and collecting rates were filed March 15, 2010. The filing updated demand and revenue requirements to estimated 2010 levels. The filing was approved to become effective on July 1, 2010.

Docket #10-04 - Develop Proposals regarding future OECA Access Rates

Stayton Cooperative opened an OECA docket to develop proposals for future OECA intrastate switched access rate filings. No meetings in this docket have been scheduled at this time.

Docket #10-05 - Freeze Intrastate Traffic Factors

At an August 18, 2010 Docket meeting the Board approved a motion to file a petition with the OPUC to have the Commission open an OPUC docket to consider freezing traffic factors at the current levels. That petition was filed on August 19, 2010. OPUC Staff and OECA agreed to a stipulation freezing traffic factors at the levels used in the 2010 OECA tariff filings. On February 4, 2011 the OPUC issued Order No.11-047 approving the stipulation.

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STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

Cash	\$ 31,161
Accounts Receivable (Note 1)	1,171,327
Due from Administrator	<u>2,400</u>
TOTAL ASSETS	<u>\$ 1,204,888</u>

LIABILITIES & NET ASSETS

Distributions Payable (Note 2)	\$ 1,143,943
Administrative Expenses Payable (Note 3)	<u>58,445</u>
Total Current Liabilities	1,202,388
Net Assets	<u>2,500</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,204,888</u>

(UNAUDITED - FOR INTERNAL USE ONLY)
See accompanying notes to Statement of Financial Position

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NOTES TO STATEMENT OF FINANCIAL POSITION

Note 1: Accounts Receivable at December 31, 2010 consists of the following:

Optional Pool receivable	\$1,069,690
Special Access Pool receivable	85,625
Billing & Collecting Pool receivable	<u>16,012</u>
TOTAL:	<u>\$ 1,171,327</u>

Note 2: Distributions payable to participants at December 31, 2010 consists of the following:

Optional Pool distributions payable	\$ 1,043,480
Special Access Pool distributions payable	84,827
Billing & Collecting Pool distributions payable	<u>15,636</u>
TOTAL:	<u>\$ 1,143,943</u>

Note 3: Administrative expenses payable is for November and December 2010 administrative expenses.