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September 22, 2014

VIA EFILING AND U.S. MAIL

Public Utility Commission of Oregon  
3930 Fairview Industrial Drive SE  
PO Box 1088  
Salem OR 97308-1088

Re: UM 1481(III) - Joint Motion and Explanatory Brief and Stipulations

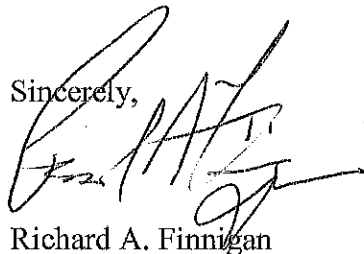
Dear Sir/Madam:

Attached you will find the original and five copies of the Joint Motion and Explanatory Brief together with two supporting Stipulations to resolve all issues in this matter. Also enclosed is a certificate of service.

The Joint Motion should also be viewed as the Status Report required to be submitted on this date.

The parties respectfully request that the Commission consider this matter at its earliest convenience.

Sincerely,



Richard A. Finnigan

RAF/cs

cc: Service List (via email)  
Clients (via email)

CERTIFICATE OF SERVICE  
UM 1481

I certify that I sent the attached Joint Motion and Explanatory Brief and Stipulations on behalf of the Oregon Telecommunications Association by electronic filing and U.S. mail to the following:

FILING CENTER  
PUBLIC UTILITY COMMISSION OF OREGON  
PO BOX 2148  
SALEM, OR 97308-2148  
puc.filingcenter@state.or.us

I hereby certify that I served the attached Joint Motion and Explanatory Brief and Stipulations on behalf of the Oregon Telecommunications Association upon all parties of record in this proceeding by electronic mail, pursuant to OAR 860-013-0070, to the following parties or attorneys of parties:

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8 Dated at Olympia, WA this 22nd day of September 2014.

9  
10 By: 

11 RICHARD A. FINNIGAN, OSB No. 965357  
12 Attorney for the Oregon Telecommunications  
13 Association

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1481 (Phase III)

In the Matter of  
PUBLIC UTILITY COMMISSION OF  
OREGON

Staff investigation of the Oregon  
Universal Service Fund.

**JOINT MOTION TO ADOPT  
STIPULATION AND EXPLANATORY  
BRIEF**

**I. MOTION TO ADOPT STIPULATION**

1. The Parties to this docket, as defined in Paragraph 3, below, have agreed to settle the issues in Phase III of this docket as described in this Joint Motion. The settlement is memorialized in the Stipulation attached to this Joint Motion. This Joint Motion and the Stipulation are subject to Commission approval.

2. This Joint Motion is filed pursuant to OAR 860-001-0350(7). By this Joint Motion, the Parties request that the Commission approve the Stipulation. As part of this Joint Motion, an Explanatory Brief in support of the Stipulation is included in accordance with OAR 860-001-0350(7)(a). The Parties offer the Stipulation and Explanatory Brief as evidence in this proceeding.

## A. PARTIES

3. The Parties to the attached Stipulation are as follows:<sup>1</sup>

Citizens' Utility Board of Oregon  
Comcast Phone of Oregon, LLC (Comcast)  
CenturyLink<sup>2</sup>  
Commission Staff  
Frontier<sup>3</sup>  
GVNW Consulting, Inc.  
Oregon Cable Telecommunications Association (OCTA)<sup>4</sup>  
Oregon Telecommunications Association (OTA)  
tw telecom of oregon llc  
Verizon<sup>5</sup>  
Warm Springs Telecommunications Company

4. The Parties, by signing this Joint Motion, agree that the Commission should approve the Stipulation as a full and complete resolution of the issues presented in Phase III of this case, as set forth below. The Parties agree to support the Stipulation at a hearing, should one be deemed necessary, and recommend that the Commission issue an order adopting the entire Stipulation. If, however, the Commission does not

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<sup>1</sup> AT&T Communications of the Pacific Northwest, Inc., TCG Joint Venture Holdings, Inc. d/b/a/ TCG Oregon and AT&T Mobility LLC and its subsidiaries operating in Oregon (collectively "AT&T") and Telecommunications Ratepayers Association for Cost-Based and Equitable Rates ("TRACER") are not parties to the Stipulation but do not oppose this Joint Motion.

<sup>2</sup> The CenturyLink companies that are parties to this docket are Qwest Corporation d/b/a CenturyLink QC, United Telephone Company of the Northwest, d/b/a CenturyLink, CenturyTel of Oregon, Inc., and CenturyTel of Eastern Oregon, Inc.

<sup>3</sup> Frontier Communications Northwest Inc. and Citizen's Telecommunications Company of Oregon.

<sup>4</sup> OCTA signed the Stipulation on behalf of its members other than Charter and BendBroadband.

<sup>5</sup> The Verizon affiliates that are parties to this proceeding include MCImetro Access Transmission Services LLC, d/b/a Verizon Access Transmission Services; MCI Communication Services, Inc., d/b/a Verizon Business Services LLC; Teleconnect Long Distance Services and Systems Company d/b/a Telecom\*USA; TTI National, Inc.; Verizon Long Distance LLC; Verizon Enterprise Solutions LLC; and Verizon Select Services, Inc.

adopt the entire Stipulation, the Parties reserve the right to withdraw from the Stipulation and ask the Administrative Law Judge to resume Phase III of this docket.

**B. BACKGROUND AND REQUEST TO HOLD THE DOCKET SCHEDULE IN ABEYANCE**

5. This phase of Docket UM 1481 was initiated by the Commission's acceptance of a Stipulation in Docket UM 1481 (Phase II) as set out in Order No. 13-162 dated May 2, 2013.

6. A prehearing conference in this matter was originally scheduled for October 29, 2013. The prehearing conference was rescheduled for November 13, 2013. After the prehearing conference, the Parties agreed to a procedural schedule which was approved by a Ruling issued November 25, 2013. Subsequently, the schedule was amended by a Ruling issued on February 21, 2014. Opening Testimony was filed April 24, 2014. The schedule was further amended by a Ruling issued June 20, 2014, on the basis that progress was being made on settlement. Then, by Ruling issued July 23, 2014, the procedural schedule was temporarily suspended with a status report due by September 22, 2014. The Parties ask that this Joint Motion be considered the status report. The Parties now request that the schedule be held in abeyance to allow the Commission to consider the Stipulation.

7. The Parties commenced settlement negotiations at a Settlement Workshop held on May 5, 2014. The Parties engaged in further settlement discussion at a Settlement Workshop on July 14, 2014. Prior to that date, OCTA, OFA, Comcast,



CenturyLink and Frontier engaged in settlement discussions on their own. Those Parties reached settlement in principle among themselves. The settlement in principle was presented to the other Parties and, after discussion at a Settlement Workshop held on August 13, 2014, and with some adjustment, the settlement was accepted (or not opposed) by all Parties.

## II. EXPLANATORY BRIEF IN SUPPORT OF STIPULATION

8. Oregon Administrative Rule 860-001-0350(7) allows the Parties to file an “explanatory brief” in support of a stipulation. The Parties provide the following discussion in support of their Stipulation.

### A. SUMMARY OF THE STIPULATION

9. The Stipulation will result in material reductions to the overall size of the Oregon Universal Service Fund (“OUSF”). The reductions will come in the form of a phase-down of the OUSF receipts as described below.

10. For Non-Rural Companies<sup>6</sup> there are reductions in OUSF support over five years beginning January 1, 2017.<sup>7</sup> This phase-down will lead to support levels set out in Table 1, displayed on the next page. The end-point of the five year reduction is OUSF support of \$12.688 million. This compares to a starting point of \$17.5 million dollars of OUSF support in 2016. This is a twenty seven and one-half percent (27.5%) reduction in OUSF support for the Non-Rural Companies. This reduction should also

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<sup>6</sup> The Non-Rural Companies are Qwest Corporation and Frontier Communications Northwest Inc.

<sup>7</sup> Phase II of UM 1481 covers the period up to January 1, 2017. See, Order No. 13-162, dated May 2, 2013.

be compared to the starting point in the Phase II settlement of \$27.2 million in OUSF support for the Non-Rural Companies. Thus, the cumulative effect of Phase II and Phase III is a reduction in OUSF support of \$14.512 million, over half of the support the companies were receiving at the start of Phase II. Non-Rural Companies' OUSF receipts will not be affected by line counts, except to the extent that line counts may influence the trigger for the surcharge cap set forth in Paragraph 12 below.

TABLE 1

Annual OUSF Support	Phase II Stipulation		Phase III Stipulation			
	2016	2017	2018	2019	2020	2021
Frontier Northwest	\$7,000,000	\$6,615,000	\$6,230,000	\$5,845,000	\$5,460,000	\$5,075,000
Qwest Corporation	\$10,500,000	\$9,922,500	\$9,345,000	\$8,767,500	\$8,190,000	\$7,612,500
Total	\$17,500,000	\$16,537,500	\$15,575,000	\$14,612,500	\$13,650,000	\$12,687,500

11. The Rural Companies<sup>8</sup> OUSF support is also reduced. See Table II, set out on next page. For the Rural Companies, the support for the 2015 fiscal year (July 1, 2015 through June 30, 2016) will be \$14,650,935. The Rural Companies are to be moved to a

<sup>8</sup> Asotin Telephone Company d/b/a TDS Telecom, Beaver Creek Cooperative Telephone Company, Canby Telephone Association d/b/a Canby Telecom, Cascade Utilities, Inc., d/b/a Reliance Connects, CenturyTel of Oregon, Inc., d/b/a CenturyLink, CenturyTel of Eastern Oregon, Inc., d/b/a CenturyLink, Citizens Telecommunications Company of Oregon, Clear Creek Mutual Telephone Company, Colton Telephone Company d/b/a ColtonTel, Eagle Telephone System, Inc., Gervais Telephone Company, Helix Telephone Company, Home Telephone Company d/b/a TDS Telecom, Molalla Telephone Company d/b/a Molalla Communications Company, Monitor Cooperative Telephone Company, Monroe Telephone Company, Mt. Angel Telephone Company, Nehalem Telecommunications, Inc., d/b/a RTI Nehalem Telecom, North-State Telephone Co., Oregon-Idaho Utilities, Inc., Oregon Telephone Corporation, People's Telephone Co., Pine Telephone Systems, Inc., Pioneer Telephone Cooperative, Roome Telecommunications Inc., St. Paul Cooperative Telephone Association, Scio Mutual Telephone Association, Stayton Cooperative Telephone Company, Trans-Cascades Telephone Company d/b/a Reliance Connects, and United Telephone Company of the Northwest d/b/a CenturyLink.

calendar year basis with support for calendar year 2016 set at \$14,431,170. The aggregate support for the Rural Companies will be reduced in five equal annual steps.

Over the five year period, the support will be reduced fifteen and two-tenths percent (15.2%). Rural Companies' OUSF receipts will not be affected by line counts, per Order No. 13-162 in Docket UM 1481 Phase II dated May 2, 2013, page 4.

TABLE 2

Annual OUSF Support	Phase II Stipulation			Phase III Stipulation		
	2016	2017	2018	2019	2020	2021
Rural Companies	\$14,431,170	\$13,991,643	13,552,115	\$13,112,587	\$12,673,059	\$12,233,531

This compares to the support levels for the Rural Companies prior to the Phase II Stipulation of \$15.7 million per year, a reduction of approximately 25%. It should be noted that the Rural Company support levels prior to the Phase II Stipulation were the result of prior Stipulations adopted by the Commission in docket UM 1017. In Phase II of this docket, Commission Staff submitted prefiled testimony that calculated a theoretical level of OUSF support for the Rural Companies under the approach previously adopted by the Commission in UM 1017 of over \$30 million per year in OUSF support.

12. The Parties have agreed to an OUSF surcharge cap. The OUSF surcharge will be capped at 9.5% beginning January 1, 2017. If the surcharge would otherwise exceed 9.5%, a pro rata reduction in support until the 9.5% cap is reached will be determined for the Rural Companies in aggregate and the Non-Rural Companies. The

adjusted aggregate support amount for the Rural Companies will be allocated to them based on their relative shares of support received (modified for any re-allocation of funding per provisions of Paragraph 23, below) to the total adjusted support amount.

13. In addition, the Parties agree that the Stipulation resolves the following issues in this Docket:

- (a) Accountability for the non-rural companies.
- (b) Consideration of a methodology for allocation of ILEC network costs between basic telephone service and other services.
- (c) Consideration of a methodology for identifying areas in which there is unsubsidized competition and whether OUSF support should be provided in such areas.
- (d) Any other issues reasonably related to issues (a) through (c), above.

Issues (b) and (c) are focused on controlling the size of the OUSF. The reductions set out in the Stipulation accomplish that goal.

14. In light of the five-year term of this Stipulation, the Parties request that the Commission cancel any directions to perform a triennial review to calculate per line support that may be contained in its prior orders. See, e.g., Order No. 03-082 in Docket UM 1017.

15. It is recognized that the Warm Springs Telecommunications Company is in a unique situation as it builds a new network to serve the Confederated Tribes of Warm Springs Reservation and surrounding area. Pursuant to Order No. 13-162, Warm Springs Telecommunications Company will be capped at \$1,500,000 per year from the OUSF. Beginning with calendar year 2017 and each year thereafter for a period of five

(5) years, Warm Springs Telecommunications Company's adjusted cap will be calculated by reducing the \$1,500,000 cap by three percent (3%) per year.

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16. For the period January 1, 2017 through December 31, 2021, a qualified CLEC that is designated as an ETC for purposes of OUSF will draw at the ILEC per-line amount for the area it serves. The ILEC per line support amount will begin with the base per-line support value contained in the "Base Per Line Support Amounts," which is found on the PUC website. The per-line amount will be adjusted to reflect the percent reduction that has occurred for the specific non-rural company that owns the wire center between 2016 and the date the support amount is being calculated. This reduction method does not apply to the Warm Springs wire center.

17. The Parties agree that after 2021, the OUSF support shall continue at the 2021 level, subject to the OUSF surcharge cap of 9.5 percent, unless the Commission orders otherwise.

18. The Parties recommend that the Commission should review the OUSF during 2019 to determine if something other than as set out in Paragraph 17 above, should occur after the term of this Stipulation.

19. The companies represented by the signing parties and the affiliates of those companies or their parent company, as applicable, will collect the OUSF surcharge based on the company's intrastate retail revenues (including, but not limited to, revenues from Voice over Internet Protocol) and pay that amount to the OUSF. This obligation will commence January 1, 2017.

20. The Parties recommend that the Commission continue to have its Staff perform the following functions: 1) monitor company quarterly OUSF filings of intrastate telecommunications revenues to ensure the reporting of such information is correct and that the companies are applying the surcharge to all local exchange service revenues; 2) continue to investigate company filings where there appear to be discrepancies; and 3) develop recommendations on how to reduce the surcharge rate, within the boundaries set by statute. However, the scope of recommendations related to reducing the surcharge rate will not include reducing the amounts of distributions as set out in this Stipulation during the term of this Stipulation.

21. In Order 00-312 in Docket UM 731, Non-Rural Companies were directed to use OUSF support to ensure that basic telephone service is available at a reasonable and affordable rate. In Order 03-082 in Docket UM 1017, Rural Companies were ordered to use OUSF support for the same purpose. The Parties agree to recommend to the Commission that the Commission modify the purpose for which OUSF support is to be used, pursuant to the powers granted to it by ORS 759.425. Beginning January 2017,

the use of the OUSF will be for the following: investment, construction, operation, maintenance, and repair to ensure that basic telephone service is available at reasonable and affordable rates. The use of the funds will be restricted geographically to the non-rural high-cost areas established by order No. 12-065 for reporting purposes and to the areas served by the Rural Companies.

22. The Parties agree to recommend to the Commission that the amounts of OUSF support for each Rural Company within the agreed amount set forth in Paragraph 5 of this Stipulation will be subject to review to ensure that relative support amounts for each company are consistent with the model-based process laid out in Order 03-082, Appendix B. Unless there is an unresolved dispute, the first review will be completed by September 30, 2015 and will be effective beginning January 1, 2017. Similarly, the second review will be completed by September 30, 2018 and will be effective beginning January 1, 2020. The reviews will be conducted by the Commission Staff in conjunction with the Rural Companies. The model will be updated to reflect changes in the federal support programs. For each of the reviews, the model will incorporate a company's projected investment, reserve, and expense inputs. Should a company disagree with the model results, the company will present Commission Staff with support for its position and Staff and the company will enter into negotiations to develop an agreed re-allocation. If Staff and the affected company(ies) cannot reach agreement, the dispute will be set for hearing. In the case of an unresolved dispute, the

re-allocation will go into effect in January of the respective adjustment year and adjustments will be made to the re-allocation when the dispute is resolved. If any re-allocation results in a Rural Company receiving a twenty percent or greater reduction in OUSF support in one period, such reduction shall be phased-in using a three year, equal step, glide path. Any reduction in support to a Rural Company shall be passed on to the other Rural Companies as an increase in their support according to their relative draw from the OUSF.

#### B. THE STIPULATION IS IN THE PUBLIC INTEREST

23. The Parties agree that the Stipulation results in a settlement of the issues in Phase III of this docket. The Stipulation fulfills the requirements that the universal service fund established and implemented by the Commission be used "to ensure basic telephone service is available at a reasonable and affordable rate."<sup>9</sup> By approving the Stipulation, the Commission will continue to provide support for universal service, provide carriers with clarity and certainty about funding levels for a five-year period beginning after the end of the time covered by the Phase II Stipulation, and stabilize the financial burden on Oregon consumers that contribute to the program.

24. The Parties agree that the terms of the Stipulation meet the requirements of the statute. The Stipulation is a reasonable compromise among the Parties and, by

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<sup>9</sup> ORS 759.425(1).



entering into it, the Parties have avoided litigation that would have created uncertainty and delayed the benefits of the Stipulation.

### C. THE COMMISSION SHOULD APPROVE THE STIPULATION

25. The Parties request that the Commission adopt the Stipulation with no changes. The Parties have agreed to the Stipulation as an integrated document. Within 15 days of the filing of a stipulation, a party not entering into the stipulation may file written objections to the stipulation or request a hearing, pursuant to OAR 860-001-0350(8). If there are no objections, the Commission should approve the Stipulation promptly.

### III. PROCEDURAL SCHEDULE


The Parties waive cross examination of one another at any hearing held to consider this Motion and Stipulation. In the event that Phase III of this docket resumes, the Parties agree to work cooperatively to develop a new procedural schedule taking into consideration the delay resulting from the filing and consideration of this Motion and Stipulation.

### CONCLUSION

Therefore, the Parties, respectfully hereby, request that the Commission approve the attached Stipulation without modification or condition.

DATED: September \_\_, 2014

**Qwest Corporation d/b/a CenturyLink QC,  
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CenturyTel of Eastern Oregon, Inc.  
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Attorney for CenturyLink

Date: 9/17/2014

**Oregon Telecommunications Association**

By: \_\_\_\_\_  
Richard A. Finnigan

Attorney for OTA

Date: \_\_\_\_\_

**Frontier Communications Northwest  
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By: \_\_\_\_\_  
George Thomson

Attorney for Frontier

Date: \_\_\_\_\_

**Oregon Cable Telecommunications  
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By: \_\_\_\_\_  
Mark Trincherro

Of Attorneys for OCTA

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\*OCTA is signing on behalf of its members other than Charter and BendBroadband.

DATED: September \_\_, 2014

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Date: \_\_\_\_\_

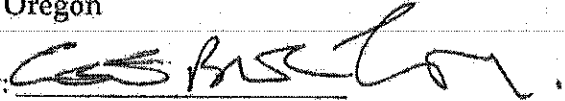
Oregon Telecommunications Association

By: \_\_\_\_\_  
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Date: \_\_\_\_\_

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Date: 9/12/14

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Mark Trinchero

Of Attorneys for OCTA

Date: \_\_\_\_\_

\*OCTA is signing on behalf of its members other than Charter and BendBroadband.

DATED: September \_\_, 2014

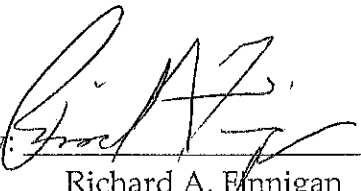
Qwest Corporation d/b/a CenturyLink QC,  
CenturyTel of Oregon, Inc. d/b/a  
CenturyLink,  
CenturyTel of Eastern Oregon, Inc.  
d/b/a CenturyLink,  
United Telephone Company of the  
Northwest d/b/a CenturyLink

By: \_\_\_\_\_  
William E. Hendricks III

Attorney for CenturyLink

Date: \_\_\_\_\_

Oregon Telecommunications Association

By:   
Richard A. Finnigan

Attorney for OTA

Date: 9/18/2014

Frontier Communications Northwest  
Inc.,  
Citizens Telecommunications Company  
of Oregon

By: \_\_\_\_\_  
George Thomson

Attorney for Frontier

Date: \_\_\_\_\_

Oregon Cable Telecommunications  
Association\*

By: \_\_\_\_\_  
Mark Trincherro

Of Attorneys for OCTA

Date: \_\_\_\_\_

\*OCTA is signing on behalf of its members other than Charter and BendBroadband.

DATED: September \_\_, 2014

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William E. Hendricks III

Attorney for CenturyLink

Date: \_\_\_\_\_

Oregon Telecommunications Association

By: \_\_\_\_\_  
Richard A. Finnigan

Attorney for OTA

Date: \_\_\_\_\_

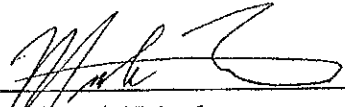
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By: \_\_\_\_\_  
George Thomson

Attorney for Frontier

Date: \_\_\_\_\_

Oregon Cable Telecommunications  
Association\*

By:   
Mark Trincherro

Of Attorneys for OCTA

Date: September 17, 2014

\*OCTA is signing on behalf of its members other than Charter and BendBroadband.

Citizens' Utility Board of Oregon

By:   
Catriona McCracken  
Sommerkamp

Of Attorneys for CUB

Date: 9/17/14

Warm Springs Telecommunications  
Company

By: \_\_\_\_\_  
Marsha Spellman, JD

Regulatory Director for Warm Springs  
Telecommunications Company

Date: \_\_\_\_\_

Public Utility Commission of Oregon  
Staff

By: \_\_\_\_\_  
Jason W. Jones

Of Attorneys for the Public Utility  
Commission of Oregon Staff

Date: \_\_\_\_\_

GVNW CONSULTING, INC.

By: \_\_\_\_\_  
James Rennard

Date: \_\_\_\_\_

Citizens' Utility Board of Oregon

By: \_\_\_\_\_  
G. Catriona McCracken

Of Attorneys for CUB

Date: \_\_\_\_\_

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By: \_\_\_\_\_  
Marsha Spellman, JD

Regulatory Director for Warm Springs  
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Date: \_\_\_\_\_

Public Utility Commission of Oregon  
Staff

By: Mike W. Jones for  
Jason W. Jones Jason Jones

Of Attorneys for the Public Utility  
Commission of Oregon Staff

Date: 9/12/14

GYNW CONSULTING, INC.

By: \_\_\_\_\_  
James Kennard

Date: \_\_\_\_\_

Citizens' Utility Board of Oregon

Public Utility Commission of Oregon  
Staff

By: \_\_\_\_\_  
G. Catriona McCracken

By: \_\_\_\_\_  
Jason W. Jones

Of Attorneys for CUB

Of Attorneys for the Public Utility  
Commission of Oregon Staff

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Warm Springs Telecommunications  
Company

GVNW CONSULTING, INC.

By: Marsha Spellman  
Marsha Spellman, JD

By: \_\_\_\_\_  
James Rennard

Regulatory Director for Warm Springs  
Telecommunications Company

Date: \_\_\_\_\_

Date: 9/10/2014



**Citizens' Utility Board of Oregon**

**Public Utility Commission of Oregon  
Staff**

By: \_\_\_\_\_  
G. Catriona McCracken

By: \_\_\_\_\_  
Jason W. Jones

Of Attorneys for CUB

Of Attorneys for the Public Utility  
Commission of Oregon Staff

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Warm Springs Telecommunications  
Company**

**GVNW CONSULTING, INC.**

By: \_\_\_\_\_  
Marsha Spellman, JD

By: James Rennard jhr  
James Rennard

Regulatory Director for Warm Springs  
Telecommunications Company

Date: 9/12/14

Date: \_\_\_\_\_

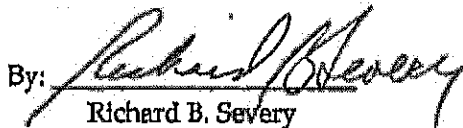
MCI Communications Services, Inc. d/b/a  
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LLC d/b/a Verizon Access Transmission  
Services,  
TTI National, Inc.,  
Teleconnect Long Distance Services and  
Systems Co. d/b/a/ Telecom \*USA,  
Version Select Services Inc.,  
Verizon Enterprises Solutions LLC,  
Verizon Long Distance LLC

tw telecom of oregon llc

By: \_\_\_\_\_  
Mark Trincherro

Attorney for tw telecom of oregon llc

Date: \_\_\_\_\_

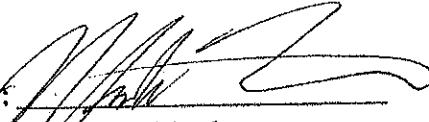
By:   
Richard B. Severy

Attorney for Verizon

Date: September 18, 2014

MCI Communications Services, Inc. d/b/a  
Verizon Business Services,  
MCImetro Access Transmission Services  
LLC d/b/a Verizon Access Transmission  
Services,  
TTI National, Inc.,  
Teleconnect Long Distance Services and  
Systems Co. d/b/a/ Telecom \*USA,  
Version Select Services Inc.,  
Verizon Enterprises Solutions LLC,  
Verizon Long Distance LLC

tw telecom of oregon llc

By:   
Mark Trincherro

Attorney for tw telecom of oregon llc

Date: September 17, 2014

By: \_\_\_\_\_  
Richard B. Severy

Attorney for Verizon

Date: \_\_\_\_\_

ATTACHMENT 1

UM 1481 Phase III Stipulation

1) Except to the extent expressly provided herein, this Stipulation has a five-year term which will begin on January 1, 2017 and end on December 31, 2021. As a result, for Rural Companies, see footnote 2, the term of the UM 1481 Phase II Stipulation adopted in Order No. 13-162 is modified accordingly and OUSF support for said companies in 2016 shall be as set out in Paragraph 5, below.

2) Beginning with the 2016 OUSF funding level of \$17.5 million of annual OUSF support for Non-Rural Companies,<sup>1</sup> consisting of \$10.5 million for Qwest Corporation and \$7.0 million for Frontier Northwest, the funding will be reduced in five equal annual steps. Over the life of the stipulation this will result in a decrease of twenty-seven and one-half percent (27.5%). Non-Rural Companies' OUSF receipts will not be affected by line counts, except to the extent that line counts may influence the trigger for the surcharge cap set forth in Paragraph 6 below.

3) The phase-down of OUSF support for the Non-Rural Companies will occur each January according to the following schedule:

Annual OUSF Support	Phase II Stipulation		Phase III Stipulation			
	2016	2017	2018	2019	2020	2021
Frontier Northwest	\$7,000,000	\$6,615,000	\$6,230,000	\$5,845,000	\$5,460,000	\$5,075,000
Qwest Corporation	\$10,500,000	\$9,922,500	\$9,345,000	\$8,767,500	\$8,190,000	\$7,612,500
Total	\$17,500,000	\$16,537,500	\$15,575,000	\$14,612,500	\$13,650,000	\$12,687,500

<sup>1</sup> The Non Rural Companies are Qwest Corporation d/b/a CenturyLink QC and Frontier Communications Northwest Inc. ("Frontier Northwest").

**ATTACHMENT 1**

4) Beginning with the 2016 calendar year OUSF funding level of \$14,431,170 of annual OUSF support for Rural Companies,<sup>2</sup> the funding will be reduced in five equal steps, taking effect annually. Over the life of the stipulation this will result in a decrease in the level of support of fifteen and two-tenths percent (15.2%). Rural Companies' OUSF receipts will not be affected by line counts, per Order No. 13-162 in Docket UM 1481 Phase II dated May 2, 2013, page 4.

5) The phase-down of OUSF support for the Rural Companies will occur each January according to the following schedule:

Annual OUSF Support	Phase II Stipulation		Phase III Stipulation			
	2016	2017	2,018	2019	2020	
Rural Companies	\$14,431,170	\$13,991,643	13,552,115	\$13,112,587	\$12,673,059	\$12,233,531

6) The OUSF surcharge will be capped at 9.5% beginning January 1, 2017. If the surcharge would otherwise exceed 9.5%, a pro rata reduction in support until the 9.5% cap is reached will be determined for the Rural Companies in aggregate and the Non-Rural Companies. The adjusted aggregate support amount for the Rural Companies will be allocated to them based on their relative shares of support received (modified for any re-allocation of funding per provisions of Paragraph 16, below) to the total adjusted support amount.

<sup>2</sup> Asotin Telephone Company d/b/a TDS Telecom, Beaver Creek Cooperative Telephone Company, Canby Telephone Association d/b/a Canby Telecom, Cascade Utilities, Inc., d/b/a Reliance Connects, CenturyTel of Oregon, Inc., d/b/a CenturyLink, CenturyTel of Eastern Oregon, Inc., d/b/a CenturyLink, Citizens Telecommunications Company of Oregon, Clear Creek Mutual Telephone Company, Colton Telephone Company d/b/a ColtonTel, Eagle Telephone System, Inc., Gervais Telephone Company, Helix Telephone Company, Home Telephone Company d/b/a TDS Telecom, Molalla Telephone Company d/b/a Molalla Communications Company, Monitor Cooperative Telephone Company, Monroe Telephone Company, Mt. Angel Telephone Company, Nehalem Telecommunications, Inc., d/b/a RTI Nehalem Telecom, North-State Telephone Co., Oregon-Idaho Utilities, Inc., Oregon Telephone Corporation, People's Telephone Co., Pine Telephone Systems, Inc., Pioneer Telephone Cooperative, Roome Telecommunications Inc., St. Paul Cooperative Telephone Association, Scio Mutual Telephone Association, Stayton Cooperative Telephone Company, Trans-Cascades Telephone Company d/b/a Reliance Connects, and United Telephone Company of the Northwest d/b/a CenturyLink.

ATTACHMENT 1

- 7) In light of the five-year term of this Stipulation, the Parties request that the Commission cancel any directions to perform a triennial review that may be contained in its prior orders. See e.g., Order No. 03-082 in Docket UM 1017.
- 8) This Stipulation resolves the following issues:
  - (a) Accountability for the Non-Rural Companies. See the UM 1481(III)(A) stipulation found in Attachment 2 for proposed terms.
  - (b) Consideration of a methodology for allocation of ILEC network costs between basic telephone service and other services.
  - (c) Consideration of a methodology for identifying areas in which there is unsubsidized competition and whether OUSF support should be provided in such areas.
  - (d) Any other issues reasonably related to issues (a) through (c), above.
- 9) For the period January 1, 2017 through December 31, 2021, a qualified CLBC that is designated as an ETC for purposes of OUSF will draw at the ILEC per-line amount for the area it serves. The ILEC per line support amount will begin with the base per-line support value contained in the "Base Per Line Support Amounts," which is found on the PUC website. The per-line amount will be adjusted to reflect the percent reduction that has occurred for the specific non-rural company that owns the wire center between 2016 and the date the support amount is being calculated. This reduction method does not apply to the Warm Springs wire center.
- 10) It is recognized that the Warm Springs Telecommunications Company is in a unique situation as it builds a new network to serve the Confederated Tribes of Warm Springs Reservation and surrounding area. Pursuant to Order No. 13-162, Warm Springs Telecommunications Company will be capped at \$1,500,000 per year from the OUSF. Beginning with calendar year 2017 and each year thereafter for a period of five (5) years, Warm Springs Telecommunications Company's adjusted cap will be calculated by reducing the \$1,500,000 cap by three percent (3%) per year.

ATTACHMENT 1

- 11) The companies represented by the signing parties and the affiliates of those companies or their parent company, as applicable, will collect the OUSF surcharge based on the company's intrastate retail revenues (including, but not limited to, revenues from Voice over Internet Protocol) and pay that amount to the OUSF.
- 12) After 2021, the OUSF support shall continue at the 2021 level of funding, subject to the OUSF surcharge cap of 9.5 percent, unless the Commission orders otherwise.
- 13) The Parties agree to recommend to the Commission that the OUSF be reviewed in 2019 to determine if something other than as set out in Paragraph 12, above, should occur after the term of this Stipulation.
- 14) The Parties recommend that the Commission continue to have its Staff perform the following functions: 1) monitor company quarterly OUSF filings of intrastate telecommunications revenues to ensure the reporting of such information is correct and that the companies are applying the surcharge to all local exchange service revenues; 2) continue to investigate company filings where there appear to be discrepancies; and, 3) develop recommendations on how to reduce the surcharge rate, within the boundaries set by statute. However, the scope of recommendations related to reducing the surcharge rate will not include reducing the amounts of distributions as set out in this Stipulation during the term of this Stipulation.
- 15) In Order 00-312 in Docket UM 731, Non-Rural Companies were directed to use OUSF support to ensure that basic telephone service is available at a reasonable and affordable rate. In Order No. 03-082 in Docket UM 1017, Rural Companies were ordered to use OUSF support for the same purpose. The Parties agree to recommend to the Commission that the Commission modify the purpose for which OUSF support is to be used, pursuant to the powers granted to it by ORS 759.425. Beginning January 2017, the use of the OUSF funds will be for the following purpose: investment, construction, operation, maintenance, and repair to ensure that basic telephone service is available at reasonable and affordable rates. The use of the funds will be restricted geographically to

ATTACHMENT 1

the non-rural high-cost areas established by Order No. 12-065 for reporting purposes and to the areas served by the Rural Companies.

- 16) The Parties agree to recommend to the Commission that the amounts of OUSF support for each Rural Company within the agreed amount set forth in Paragraph 5 of this Stipulation will be subject to review to ensure that relative support amounts for each company are consistent with the model-based process laid out in Order 03-082, Appendix B. Unless there is an unresolved dispute, the first review will be completed by September 30, 2015 and will be effective beginning January 1, 2017. Similarly, the second review will be completed by September 30, 2018 and will be effective beginning January 1, 2020. The reviews will be conducted by the Commission Staff in conjunction with the Rural Companies. The model will be updated to reflect changes in the federal support programs. For each of the reviews, the model will incorporate a company's projected investment, reserve, and expense inputs. Should a company disagree with the model results, the company will present the Commission Staff with support for its position and Staff and the company will enter into negotiations to develop an agreed re-allocation. If Staff and the affected company(ies) cannot reach agreement, the dispute will be set for hearing. In the case of an unresolved dispute, the re-allocation will go into effect in January of the respective adjustment year and adjustments will be made to the re-allocation when the dispute is resolved. If any re-allocation results in a Rural Company receiving a twenty percent or greater reduction in OUSF support in one period, such reduction shall be phased-in using a three year, equal step, glide path. Any reduction in support to a Rural Company shall be passed on to the other Rural Companies as an increase in their support according to their relative draw from the OUSF.

- 17) The Parties agree that any Party may file a petition to request Commission review of this Stipulation if there is a substantive change in federal law or Federal Communications Commission precedent that materially affects the terms of the Stipulation. The Parties further agree that the Stipulation will not automatically terminate merely because a Party has filed a petition as described above, but will continue until the Commission issues a final order that grants, denies or takes other appropriate final action upon the petition. Finally, each Party reserves the right to make whatever arguments it deems appropriate in any docket resulting from the filing of the aforementioned petition.



## ATTACHMENT 1

### GENERAL PROVISIONS

- 18) The Parties understand that this Stipulation is not binding upon the Commission unless and until it is approved by the Commission.
- 19) This Stipulation does not preclude a party from explaining, as a factual matter, what the Parties agreed to in this Stipulation.
- 20) The Parties agree that this Stipulation represents the entire agreement of the Parties and that it supersedes any and all prior oral or written understanding, agreements or representation related to this Stipulation, if any, and no such prior understanding, agreement or representations shall be relied upon by any Party.
- 21) The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and cooperate in supporting this Stipulation throughout the Commission's consideration of the Stipulation.
- 22) The Parties enter into this Stipulation to avoid further expense, inconvenience, uncertainty and delay. By executing this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Stipulation. Nor shall any Party be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except to the extent expressly set forth in this Stipulation.
- 23) This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. A signed signature page that is faxed or emailed is acceptable as an original signature page signed by that Party.

This Stipulation is entered into by each Party as follows:

ATTACHMENT 1

Qwest Corporation d/b/a CenturyLink QC,  
CenturyTel of Oregon, Inc. d/b/a  
CenturyLink,  
CenturyTel of Eastern Oregon, Inc.  
d/b/a CenturyLink,  
United Telephone Company of the  
Northwest d/b/a CenturyLink

Frontier Communications Northwest  
Inc.,  
Citizens Telecommunications Company  
of Oregon

By: Mark Langford for  
R. S. (Steve) Davis

Assoc. General Counsel

Executive Vice President Public Affairs &  
Regulatory Policy

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Oregon Telecommunications Association

Oregon Cable Telecommunications Association\*

By: \_\_\_\_\_  
Richard A. Finnigan

By: \_\_\_\_\_  
Mark Trincherro

Attorney for OTA

Of Attorneys for OCTA

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\*OCTA is signing on behalf of its members other than Charter and BendBroadband.

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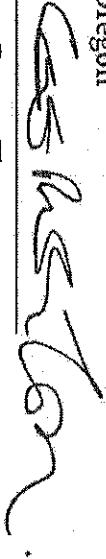
By: \_\_\_\_\_  
Steve R. Davis

Executive Vice President Public Affairs &  
Regulatory Policy

Date: \_\_\_\_\_

Frontier Communications Northwest  
Inc.,  
Citizens Telecommunications Company  
of Oregon

Assoc. General Counsel

By:   
George Thomson

Date: 9/12/14

Oregon Telecommunications Association

Oregon Cable Telecommunications Association\*

By: \_\_\_\_\_  
Richard A. Finnigan

By: \_\_\_\_\_  
Mark Trinchero

Attorney for OTA

Of Attorneys for OCTA

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\*OCTA is signing on behalf of its members other than Charter and BendBroadband.

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By: \_\_\_\_\_

R. S. (Steve) Davis

By: \_\_\_\_\_  
Assoc. General Counsel

George Thomson

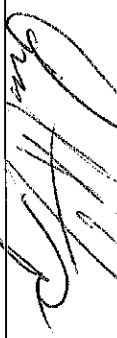
Executive Vice President Public Affairs &  
Regulatory Policy

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Oregon Telecommunications Association

Oregon Cable Telecommunications Association\*

By: 

Richard A. Finnigan

By: \_\_\_\_\_

Mark Trinchero

Attorney for OTA

Of Attorneys for OCTA

Date: 9/18/2014

Date: \_\_\_\_\_

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Northwest d/b/a CenturyLink

By: \_\_\_\_\_

R. S. (Steve) Davis

Executive Vice President Public Affairs &  
Regulatory Policy

Date: \_\_\_\_\_

Oregon Telecommunications Association

By: \_\_\_\_\_  
Richard A. Finnigan

Attorney for OCTA

Date: \_\_\_\_\_

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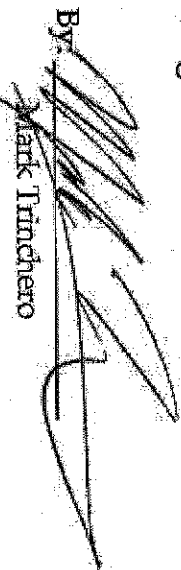
By: \_\_\_\_\_

George Thomson

Assoc General Counsel

Date: \_\_\_\_\_

Oregon Cable Telecommunications Association\*

By:   
Mark Trinchero

Of Attorneys for OCTA

Date: September 12, 2014

\*OCTA is signing on behalf of its members other than Charter and BendBroadband.

ATTACHMENT 1

Citizens' Utility Board of Oregon

By: BMMW

~~G. Catherine McClellan~~  
SUNWOOD TELEPHONE

Date: 9/17/14

Public Utility Commission of Oregon Staff

By: Jason W. Jones

Of Attorney for the Public Utility Commission of Oregon Staff

Date: \_\_\_\_\_

Warm Springs Telecommunications  
Company

By: Marsha Spellman, JD

Regulatory Director for Warm Springs  
Telecommunications Company

Date: \_\_\_\_\_

tw telecom of oregon llc

By: Mark Tinclero

Attorney for tw telecom of oregon llc

Date: \_\_\_\_\_

ATTACHMENT 1

Citizens' Utility Board of Oregon

By: \_\_\_\_\_  
G. Catriona McCracken

Date: \_\_\_\_\_

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Company

By: \_\_\_\_\_  
Marsha Spellman, JD

Regulatory Director for Warm Springs  
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Date: \_\_\_\_\_

Public Utility Commission of Oregon Staff

By: Jason W. Jones  
Jason W. Jones

Of Attorney for the Public Utility Commission of Oregon Staff

Date: 9/12/14

tw telecom of oregon llc

By: \_\_\_\_\_  
Mark Trinchero

Attorney for tw telecom of oregon llc

Date: \_\_\_\_\_

ATTACHMENT 1

Citizens' Utility Board of Oregon

By: \_\_\_\_\_  
G. Catriona McCracken

Date: \_\_\_\_\_

Public Utility Commission of Oregon Staff

By: \_\_\_\_\_  
Jason W. Jones

Of Attorney for the Public Utility Commission of Oregon Staff

Date: \_\_\_\_\_

Warm Springs Telecommunications  
Company

By: Marsha Spellman  
Marsha Spellman, JD

Regulatory Director for Warm Springs  
Telecommunications Company

Date: 9/16/2014

tw telecom of oregon llc

By: \_\_\_\_\_  
Mark Trinchero

Attorney for tw telecom of oregon llc

Date: \_\_\_\_\_



ATTACHMENT 1

Citizens' Utility Board of Oregon

By: \_\_\_\_\_

G. Catriona McCracken

Date: \_\_\_\_\_

Public Utility Commission of Oregon Staff

By: \_\_\_\_\_

Jason W. Jones

Of Attorney for the Public Utility Commission of Or

Date: \_\_\_\_\_

Warm Springs Telecommunications  
Company

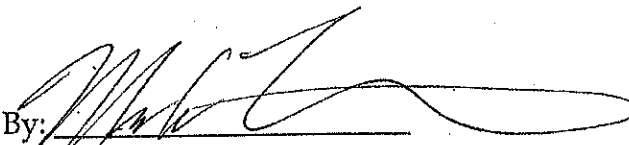
By: \_\_\_\_\_

Marsha Spellman, JD

Regulatory Director for Warm Springs  
Telecommunications Company

Date: \_\_\_\_\_

tw telecom of oregon llc

By:  \_\_\_\_\_

Mark Trincherro

Attorney for tw telecom of oregon llc

Date: September 12, 2014

ATTACHMENT 1

MCI Communications Services, Inc. d/b/a  
Verizon Business Services,  
MCI metro Access Transmission Services  
LLC d/b/a Verizon Access Transmission  
Services, TTI National, Inc.,  
Teleconnect Long Distance Services and  
Systems Co. d/b/a/ Telecom \*USA,  
Verizon Select Services Inc.,  
Verizon Enterprises Solutions LLC,  
Verizon Long Distance LLC

By:

  
Richard B. Severy

GVNW CONSULTING, INC.

By: \_\_\_\_\_

James Rennard

Date: \_\_\_\_\_

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MCI Communications Services, Inc. d/b/a  
Verizon Business Services,

GVNW CONSULTING, INC.

MCI Metro Access Transmission Services

LLC d/b/a Verizon Access Transmission

Services, TTI National, Inc.,

By: James Rennard jrs  
James Rennard

Teleconnect Long Distance Services and

Systems Co. d/b/a/ Telecom \*USA,

Date: 9/12/14

Verizon Select Services Inc.,

Verizon Enterprises Solutions LLC,

Verizon Long Distance LLC

By: \_\_\_\_\_

Richard B. Severy

## ATTACHMENT 2

### UM 1481 Phase IIIa Stipulation

1. The Parties to this Stipulation are Qwest Corporation d/b/a CenturyLink QC, Frontier Communications Northwest, Inc., Public Utility Commission of Oregon Staff, and Citizens' Utility Board of Oregon.
2. The purpose of the reporting that the Parties agree to under this Stipulation is to modify current reporting of information regarding CenturyLink QC and Frontier Northwest Inc. ("Reporting Parties") expenses in areas that are eligible for Oregon Universal Service Fund (OUSF) support. Both Reporting Parties currently provide their investment activities and expenses by wire center in the areas eligible for support. The Stipulation modifies the reporting of expenses.
3. **Reporting.** The reporting under this Stipulation for the Reporting Parties will be as depicted in the attached Oregon Universal Service Fund Accountability Report. The report data will be retained for a period of three years and it will be made available for Staff to audit upon request.
4. **Filing.** The Parties agree that the Reporting Parties and Staff, at the time any of the report data is submitted to the Commission, may submit to the Commission an explanation regarding which set of data from the report reflect the appropriate method to estimate how OUSF funding is being directed to operating expenses in high cost areas. The Oregon Universal Service Fund Accountability Report, being dependent upon Form O data, will be submitted annually no later than June 1<sup>st</sup> or approximately 60 days following the submission of the Form O.
5. **Applicability.** The Parties agree that the data provided in the report cannot be used to change the non-rural OUSF support amounts agreed to in the stipulation in Phase II of this proceeding, approved by the Commission in Order 13-162, or the non-rural OUSF support amounts agreed to in the stipulation in Phase III of this proceeding.
6. **Term.** This Stipulation will have the same termination date as the stipulation settling Parts IIIb and IIIc of this proceeding.

### GENERAL PROVISIONS

7. The Parties understand that this Stipulation is not binding upon the Commission unless and until it is approved by the Commission.

## ATTACHMENT 2

8. This Stipulation does not preclude a party from explaining, as a factual matter, what the Parties agreed to in this Stipulation.
9. The Parties agree that this Stipulation represents the entire agreement of the Parties and it supersedes any and all prior oral or written understandings, agreements or representation related to this Stipulation, if any, and no such prior understanding, agreement or representation shall be relied upon by any Party.
10. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and cooperate in supporting this Stipulation throughout the Commission's consideration of the Stipulation.
11. The Parties enter into this Stipulation to avoid further expense, inconvenience, uncertainty and delay. By executing this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Stipulation. Nor shall any Party be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except to the extent expressly set forth in this Stipulation.

**ATTACHMENT 2**

12. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. A signed signature page that is faxed or emailed is acceptable as an original signature page signed by that Party.

This Stipulation is entered into by each Party as follows:

**CenturyLink QC**

By:  \_\_\_\_\_

**William E. Hendricks**

Senior Corporate Counsel

Date: 9/17/2019

**Frontier Communications**

By: \_\_\_\_\_

**George Thompson**

Associate General Counsel

Date: \_\_\_\_\_

**Citizens' Utility Board of Oregon**

By: \_\_\_\_\_

**G. Catriona McCracken**

Date: \_\_\_\_\_

**Public Utility Commission of Oregon Staff**

By: \_\_\_\_\_

**Jason W. Jones**

Date: \_\_\_\_\_

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By:  \_\_\_\_\_

William E. Hendricks

George Thomson

Senior Corporate Counsel

Associate General Counsel

Date: \_\_\_\_\_

Date: 9/17/14 \_\_\_\_\_

Citizens' Utility Board of Oregon

Public Utility Commission of Oregon Staff

By: \_\_\_\_\_

By: \_\_\_\_\_

G. Catriona McCracken

Jason W. Jones

Date \_\_\_\_\_

Date: \_\_\_\_\_

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George Thomson

Senior Corporate Counsel

Associate General Counsel

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Citizens' Utility Board of Oregon**

**Public Utility Commission of Oregon Staff**

By:  \_\_\_\_\_

By: \_\_\_\_\_

~~G. Carriona McCracken~~  
SOMMER TEMPLET

Jason W. Jones

Date 9/17/14 \_\_\_\_\_

Date: \_\_\_\_\_



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George Thomson

Senior Corporate Counsel

Associate General Counsel

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Citizens' Utility Board of Oregon**

**Public Utility Commission of Oregon Staff**

By: \_\_\_\_\_

By: Jason W. Jones / for

G. Catriona McCracken

Jason W. Jones

Date: \_\_\_\_\_

Date: September 18, 2014

