

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 16, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: August 9, 2016

TO: Public Utility Commission

FROM: Kay Marinos <sup>KM</sup>

THROUGH: Jason Eisdorfer <sup>JE</sup> and Bryan Conway <sup>BAC</sup>

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:  
(Docket No. UM 1768) 2016 Annual Certification of Eligible  
Telecommunications Carriers.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission:

1. Certify, pursuant to the requirements of 47 C.F.R. § 54.314, to the appropriate use of federal Universal Service Fund (USF) high-cost support in Oregon, and to the continuing eligibility of the carriers listed in Exhibit A to receive such support; and
2. Accept the 2016 annual reports of all eligible telecommunications carriers (ETCs) required by Commission Order No. 06-292, as amended by Order No. 15-169.

**DISCUSSION:**

Issues

1. Whether the Commission should certify the continuing eligibility of certain Oregon ETCs to receive federal USF high-cost support.
2. Whether the Commission should accept the annual reports submitted by all ETCs for the current reporting year.

Background

Section 214(e)(2) of the Telecommunications Act of 1996 (Act) authorizes state public utility commissions to designate telecommunications carriers eligible to receive federal USF support. The Commission first exercised this authority in December 1997 when it designated Oregon's incumbent local exchange carriers (ILECs) as ETCs.<sup>1</sup> Since then, the Commission has designated several wireless carriers and non-ILEC wireline carriers (collectively referred to as competitive ETCs or CETCs) to receive federal USF high-cost and Lifeline (low-income) support.<sup>2</sup> The Commission has also granted limited designations to several carriers only for the purpose of receiving Lifeline support. Such carriers are commonly referred to as Lifeline-only ETCs.<sup>3</sup>

As set forth in 47 C.F.R. § 54.314(a), the Federal Communications Commission (FCC) requires states to file annual certifications with the FCC to enable the continuation of high-cost support to their state-designated ETCs. The certification must state that all federal high-cost support provided to ETCs within the state "was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." If the state fails to make such certification by the deadline, the ETCs will not receive federal USF support for the coming year.

Every year since 2006, in order to make this annual certification to the FCC, the Commission has required ETCs to submit reports. The reports also serve to demonstrate each ETC's ongoing compliance with designation requirements. The Commission first established requirements for the reports in Docket No. UM 1217, Order No. 06-292. When the FCC transformed its universal service program to include support for broadband services, it also established new annual reports (beginning in 2013) that all ETCs must file regardless of any existing state requirements for reporting.<sup>4</sup> To reduce the resulting duplicative reporting burdens on Oregon ETCs, the

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<sup>1</sup> See Order No. 97-481, Docket No. UM 873.

<sup>2</sup> Currently, the wireless carriers designated for federal high-cost support in Oregon are AT&T Mobility LLC, United States Cellular Corporation, and Eagle Telephone System, Inc. dba Snake River PCS. The wireline competitive carriers designated for high-cost support are Comspan Communications, Inc., Warm Springs Telecommunications Company (WSTC), and Douglas Services, Inc. dba Douglas Fast Net. WSTC is not included for certification this year because they are currently not receiving any federal high-cost funds.

<sup>3</sup> Currently, the Lifeline-only ETCs are Virgin Mobile dba Assurance Wireless, TraFone Wireless dba SafeLink Wireless, Boomerang Wireless, LLC dba enTouch Wireless, and i-wireless, LLC dba Access Wireless.

<sup>4</sup> See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 et al., released November 18, 2011 (*Transformation Order*), and

Commission approved the replacement of its own reports with those required by the FCC through several orders adopted in docket UM 1648.<sup>5</sup>

Applicable Law and Orders

As stated above, per 47 C.F.R. § 54.314(a), the FCC requires states to file annual certifications with the FCC to enable the continuation of high-cost support to their state-designated ETCs. The certification must state that all federal high-cost support provided to ETCs within the state “was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.” The state must provide this annual certification to the FCC and the Universal Service Administrative Company (USAC) by October 1 of each year.

This year, ETCs filing annual reports must follow the requirements adopted in Order No. 15-169 entered June 4, 2015, which amended the reporting requirements in Order No. 06-292. The reporting requirements differ by the type of funding received by an ETC. All ETCs, except those receiving Mobility Fund support, must complete relevant sections of FCC Form 481. ETCs that receive Mobility Fund support must complete Form 690.<sup>6</sup> The FCC forms address specific items of information, established in FCC orders and regulations, that are intended to aid in determining whether the ETC met the company’s commitments and responsibilities for the previous calendar year. Such items include data related to service quality, service rates, Lifeline offerings, and buildout and deployment plans and locations, as well as certifications that various obligations were met.

In addition to the FCC Form 481, ILEC ETCs are required to submit specific data if local exchange service rates are below an FCC-established floor. They must also submit specific data supporting the receipt of a specific form of USF support known as CAF/ICC support, if applicable.

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*Lifeline and Link Up Reform and Modernization et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket No. 11-42 et al., FCC 12-11, released February 6, 2012.

<sup>5</sup> Reporting requirements were established for each individual year of 2013 and 2014 as FCC requirements were still being developed (see Order No. 13-228 entered June 19, 2013, and Order No. 14-198 entered June 5, 2014, respectively). In 2015, the Commission adopted permanent annual reporting requirements in Order No. 15-169 entered June 4, 2015.

<sup>6</sup> Only one ETC in Oregon, Eagle Telephone System dba Snake River PCS, received Mobility Fund support.

Although the Commission does not certify Lifeline-only ETCs annually to the FCC, it does require these ETCs to file copies of their completed FCC Form 481 each year. See Order No. 15-169, Appendix A.

The Commission requires each ETC receiving high-cost support to also submit a notarized affidavit signed by a corporate officer attesting to the appropriate use of support in Oregon. See Order No. 15-169, Appendix A. To meet FCC requirements, and to enable the Commission to certify the Oregon ETCs properly to the FCC, the wording must be specific. To that end, each year the Commission staff distributes a template for the affidavit to the ETCs. This year's template is included here as Exhibit B.

Due dates for the reports are keyed to the dates that such reports are to be filed with the FCC. This year all reports were due no later than July 1.

#### Analysis

For the calendar year 2016, Oregon ILECs will receive approximately \$69 million of federal high-cost support and CETCs will receive approximately \$8.6 million.<sup>7</sup> The funds reflect a mixture of support for existing voice services as well as for expansion of broadband internet access services. The specific Oregon ETCs that receive federal high-cost funding are listed in Exhibit A. In addition, Oregon ETCs are expected to receive approximately \$7 million of federal Lifeline support in 2016. The Lifeline funds are received by high-cost ETCs as well as Lifeline-only ETCs, although two ETCs together (TracFone and Virgin Mobile) receive about 70% of all the Lifeline support in Oregon.

Each year Staff requests that a new docket be opened to address annual ETC reports and certification for that year. This year's docket is Docket No. UM 1768.

Staff reviewed all of the ETC reports and certifications filed in Docket No. UM 1768. Each ETC that was required to file a report has filed an annual report. In some cases it was necessary to contact the carrier regarding unclear or missing information. The reports in the docket are now complete and, based on Staff's review, Staff supports a finding that the annual ETC reporting requirements have been met.

#### Conclusion

Staff finds on its review that the ETCs have met the annual reporting requirements for this year, and recommends that the Commission proceed to accept the reports and to certify Oregon ETCs receiving high-cost support to the FCC. The certification will

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<sup>7</sup> Based on data from USAC report to FCC for the fourth quarter of 2016.

enable the ETCs to continue receiving federal universal service support for the benefit of the residents of Oregon.

**PROPOSED COMMISSION MOTION:**

Issue an order in Docket No. UM 1768:

1. Certifying that all federal high-cost support provided to the ETCs listed in Exhibit A within Oregon was used in the preceding calendar year (2015) and will be used in the coming calendar year (2017) only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, and that the ETCs listed in Exhibit A are eligible to receive federal universal service high-cost support pursuant to 47 C.F.R. § 54.314; and
2. Accepting the 2016 annual reports of all ETCs currently designated in Oregon.

**Exhibit A**  
**Eligible Telecommunications Carriers**  
**Certified to Receive Federal Universal Service Fund High-Cost Support**

Company	USAC Study Area Code
1 Asotin Telephone Company	532404
2 Beaver Creek Cooperative Telephone Co.	532359
3 Canby Telephone Association	532362
4 Cascade Utilities, Inc.	532371
5 CenturyTel of Oregon, Inc. dba CenturyLink	532361
6 CenturyTel of Eastern Oregon, Inc. dba CenturyLink	532361
7 Citizens Telecommunications Company of Oregon.	533401
8 Clear Creek Mutual Telephone Company	532363
9 Colton Telephone Company	532364
10 Eagle Telephone System, Inc.	532369
11 Frontier Communications Northwest Inc.	532416
12 Gervais Telephone Co.	532373
13 Helix Telephone Company	532376
14 Home Telephone Company	532377
15 Molalla Communications Company	532383
16 Monitor Cooperative Telephone Company	532384
17 Monroe Telephone Company	532385
18 Mt. Angel Telephone Company	532386
19 Nehalem Telecommunications, Inc.	532387
20 North-State Telephone Company	532388
21 Oregon-Idaho Utilities, Inc.	532390
22 Oregon Telephone Corporation	532389, 533336
23 People's Telephone Company	532391
24 Pine Telephone System, Inc.	532392
25 Pioneer Telephone Cooperative	532393
26 Qwest Corporation dba CenturyLink QC	535163
27 Roome Telecommunications, Inc.	532375
28 Scio Mutual Telephone Association	532397
29 Stayton Cooperative Telephone Company	532399
30 St. Paul Cooperative Telephone Association	532396
31 Trans-Cascades Telephone Company	532378
32 United Telephone Co. of the Northwest dba CenturyLink	532400
33 AT&T Mobility LLC	539010
34 Comspan Communications, Inc.	539005
35 Eagle Telephone System, Inc. dba Snake River PCS	539007, 538001
36 United States Cellular Corporation	539002
37 Douglas Services, Inc.	536129

**Exhibit B**  
**Sample Affidavit**

AFFIDAVIT CERTIFYING USE OF UNIVERSAL SERVICE FUNDS

I, \_\_\_\_\_ [name of company officer], being of lawful age and duly sworn, on my oath, state that I am the \_\_\_\_\_ [title] of \_\_\_\_\_ [Company name] and that I am authorized to execute this Affidavit on behalf of the Company, and the facts set forth in this Affidavit are true to the best of my knowledge, information and belief.

Pursuant to the requirements of the Federal Communications Commission, 47 C.F.R. § 54.314, \_\_\_\_\_ [Company name] hereby certifies to the Public Utility Commission of Oregon that it is eligible to receive federal high-cost support for the program years cited.

I attest that all federal high-cost support provided to \_\_\_\_\_ [Company name] in Oregon was used in the preceding calendar year (2015) and will be used in the coming calendar year (2017) only for the provision, maintenance and upgrading of facilities and services for which the support is intended.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

By: \_\_\_\_\_ (Officer's Name)

Its: \_\_\_\_\_ (Officer's Title)

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Notary public in and for the State of \_\_\_\_\_

My Commission Expires: \_\_\_\_\_