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August 16, 2021

VIA E-FILING

Oregon Public Utility Commission
Attn: Filing Center
201 High St. SE, Ste. 100
Salem, OR 97308

Re: **Docket No. UM 1895** - *In re the Matter of FRONTIER COMMUNICATIONS NORTHWEST, INC., and CITIZENS TELECOMMUNICATIONS COMPANY OF OREGON, Joint Petition for Approval of Price Plan Pursuant to ORS 759.255.*
2021 Price Plan Performance Report

Dear Staff,

Please find the following attached for filing:

- Price Plan Performance Report 2021
- Exhibit A – Access Line Report 2021 (CONFIDENTIAL) and Comparison Data OR Price Plan Report 2017 (CONFIDENTIAL)
- Exhibit B – OR Rates Increases Summary 2018-2020 (CONFIDENTIAL)
- Certificate of Service

Please contact us if you have any questions regarding this filing. Thank you.

Sincerely,

Shannon Lipp

Shannon Lipp
Legal Assistant

Attachments

ZIPLY FIBER NORTHWEST, LLC AND ZIPLY FIBER OF OREGON, LLC's PRICE PLAN PERFORMANCE REPORT – DOCKET UM 1895

On August 17, 2018, in Order No. 18-303 in Docket UM 1895, the Commission adopted a Price Plan ("the Plan") for Frontier Communications Northwest, LLC's Oregon operations and Citizens Telecommunications Company of Oregon, LLC ("the Companies"). The companies have been renamed Ziply Fiber Northwest, LLC and Ziply Fiber of Oregon, LLC, respectively. The Plan adopted by the Commission resulted from a stipulation between the Companies, Commission Staff, and the Oregon Citizens' Utility Board (CUB).

Section 3 of the Plan sets forth provisions for the Commission to review the Companies' performance under the Plan every three years. To commence the review, the Companies are required to file a report regarding their performance as compared to the objectives of the Plan by the end of the third year of operation under the Plan. The purpose of this report is to review how the objectives of the Plan are being met and includes the following information as described in the Order:

i) An analysis of current Oregon market conditions for the various categories of Frontier's regulated retail telecommunications services to the extent such information is publicly available.
ii) Data regarding the gain or loss of access lines by wire center.
iii) Identification of any new services that Frontier (now the Companies) has introduced.
iv) Identification of any ways in which the burden of regulation for both Frontier (now the Companies) and the Commission has been simplified or reduced during the current Plan period.
v) A list of all price increases performed during the Plan terms, including the remaining amount of pricing flexibility available for each service.

I. CURRENT MARKET CONDITIONS

The Companies continue to face a starkly difficult competitive landscape, particularly with regard to customer losses in Commission-regulated Time Division Multiplexing (TDM) products. As detailed in the Joint Petition for Approval of a Price Plan filed on September 7, 2017, the Companies then faced fierce competition throughout their entire service territories in Oregon, including some of the most rural parts of the state. Since Frontier filed its 2017 Petition, competition has intensified each year throughout the Companies' entire service territory.

Competitors include traditional facilities-based carriers such as Comcast, Spectrum, Wave, Comspan, Pacific Wave, Priority One, SCS Communications, Allstream, Lumen, XO Communications, AT&T, and Verizon Business. Beyond these providers, intermodal competitors providing comparable, substantially comparable or substitutable services include a number of wireless carriers including AT&T, Verizon, T-Mobile, UScellular, Cricket Wireless; and VoIP providers including Vonage, Ymax, Basic Talk, Ooma and Google.[1] Wireless providers typically offer stand-alone voice and bundled services of voice and broadband.

Satellite providers Hughes and Starlink/SpaceX continue to expand their Oregon service territory and both compete with the Companies. The continued expansion of broadband connections into the most rural parts of Oregon has made VoIP a widely accepted replacement

[1] The lists of competitors here (and elsewhere throughout the report) are merely illustrative, and are by no means comprehensive.

for traditional copper-based wireline TDM voice service. Between the 2013 Petition and the 2017 Petition, the Companies lost over 42% of their access lines. Since the 2017 Petition, the Companies have lost an additional 43% of their access lines. More specifically, since 2017 the Companies have lost 49% of their residential basic service line customers, and 30% of their business basic service line customers. Other TDM services have followed a similar pattern by shedding an average of 44% of their customers since 2017 (see Confidential Exhibit A for a breakdown of customer losses by product).

The Companies also face competition from non-voice services such as email, texting, video calling and social media websites. These services provide users with the ability to communicate instantly across a wide variety of platforms and customer equipment. Wireless texts, email, chat service options, and other messaging applications are now among the primary means of communications for many, significantly reducing voice traffic. These services compete as substitutes for voice calling.

The Commission's own Local Telecommunications Competition Survey attests to the shrinking number of wireline connections between 2004 and 2019, the latest data the OPUC has collected and analyzed.[2]

Wireless companies continue to be the predominant voice service providers in Oregon, serving 4.317 million subscribers in the state as of June 30, 2019 (up from 3.5 million in June 2012) as compared to a combined 1.216 million subscribers for ILEC and non-ILEC access line and VoIP providers of voice services (down from 1.6 million in June 2012). Wireless subscribers represent 76.4% of all voice communications subscribers in the state. As a result, the number of switched access lines served by ILECs as a percent share of customers subscribing to voice service has plummeted to only 8.6% of the total voice service subscriptions as of June 2019 compared to 17.5% of the total as of June 2012.[3]

Many Oregon consumers have opted to drop their landline completely in favor of wireless service. The National Center for Health Services (NCHS) provides a detailed analysis of wireless substitution. In the 2018 NCHS Report, Oregon specific data provides that an estimated 63.4% of adults were in "wireless only"[4] households compared to 38.2% in 2011. Conversely, only 5.6% of adults in Oregon in 2018 were "landline only" customers.[5]

The Oregon PUC has certified numerous wireless ETCs who accept the obligations to provide an alternative low-income wireless service to serve the public interest. The Commission has approved these services as a viable substitute for basic wireline phone service in Oregon and by doing so assures that the lifeline eligible customer base also has competitive alternatives. In fact, nationwide, about 90% of lifeline customers have selected wireless service as their primary connection.[6] In designating ETC status for these carriers, the Commission has already made a finding that these wireless carriers provide voice grade access to the public switched network or itsfunctional equivalent and those wireless carriers' services are available throughout the wire center for which the ETC designation was received.

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[2] https://www.oregon.gov/puc/forms/Forms%20and%20Reports/2019-Telecommunications-Competition-Survey.pdf
[3] https://www.fcc.gov/voice-telephone-services-report
[4] https://www.cdc.gov/nchs/data/nhis/earlyrelease/Wireless_state_201912-508.pdf
[5] Id.
[6] https://publicintegrity.org/inequality-poverty-opportunity/millions-could-lose-low-cost-phone-service-under-fcc-reforms/

Customer access to broadband connections has been increasing rapidly in Oregon. This has drastically increased the option for an availability of VoIP-bases voice services. Cable companies offer “managed” VoIP-based services that are non-portable and that carry traffic over private managed networks, rather than the internet. Many other companies, such as Vonage, Skype, Google, Apple (via Facetime), Magic Jack and Basic Talk offer “over-the-top” VoIP services that rely on a third-party broadband connection and transmit calls, at least partially, over the public internet. VoIP service allows a customer to utilize a standard telephone set to originate and receive telephone calls using the same dialing patterns that are used for standard wireline telephone service. In addition, explosive growth in the number of Wi-Fi hot spots is also providing voice options for consumer. Wireless subscribers can subscribe to (or use for free) nomadic VoIP providers such as Skype or FaceTime so that even if subscribers lack a cellular signal, voice calls can still be made using VoIP over Wi-Fi. As an example, Starbucks offers Wi-Fi for free in all its company-owned stores in the U.S. Customers, including mobile phone and tablet users, have unlimited access to a Wi-Fi signal with no purchase or subscription required, no password required and without session time limits. There are 107 Starbucks locations in Portland alone.[7] When considered in combination with the availability of broadband services from other providers, VoIP is a growing service offering and substitute for ILEC voice services for most consumers in the Companies’ service area.

In summary, the telecommunications market in Oregon is extremely competitive, and the assortment of competitive telecommunications alternatives available to customers continues to expand and evolve. Oregon consumers and businesses have numerous alternatives to meet their local voice calling and broadband needs. The Oregon telecommunications market is becoming more competitive every day, and there is no reason to believe that the growth of competitive alternatives will subside as new technologies are developed, and customer preferences change over time.

II. SWITCHED ACCESS LINE LOSS

As noted in the Oregon PUCs 2020 Local Competition Report, statewide, the number of switched access lines served by both ILECs and CLECs in 2018 was approximately 43% lower than in 2004, and the decrease reflects the competitive impact of wireless phones, and the development of VoIP, fiber optics, cable telephony and other new technologies which enable alternatives to traditional landline phone service.

The fact that the Companies have experienced significant competition from CLEC, Cable, VoIP, and wireless alternative service providers is evidenced by the Companies’ dramatic loss of access lines in Oregon over the last twenty years. An increasing number (64%) of Oregon households have dropped landline service altogether and only subscribe to wireless services. Between 2001 and 2021, the Companies (and their predecessors Verizon and Frontier) lost approximately 273,874 residential retail access lines (from 342,724 access lines to 68,850 access lines) in Oregon. This represents an 80% reduction in residential retail access lines during a period where U.S. Census data shows the population in Oregon was increasing. Similarly, the Companies have experienced an 83% decrease in the number of business access lines in the same period (from 148,986 access lines to 25,106 access lines), for a combined aggregate line loss of 81%. The continuing and dramatic access line erosion during a time of population growth

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7 https://www.google.com/search?q=How+many+Starbucks+in+Portland%2C+OR%3F&rlz=1C1GCEB_enUS899US899&oq=How+many+Starbucks+in+Portland%2C+OR%3F&aqs=chrome..69i57j33i22i29i30l4.11091j1j15&sourceid=chrome&ie=UTF-8

shows that consumers are subscribing to competitive alternatives to the Companies' services to fulfill their telecommunications needs in Oregon. The evidence clearly shows that the Companies do not have a captive customer base or market power for either residential or business services. Please see Confidential Exhibit A for data regarding line losses between 2017 and 2021, including those by wire center.

Despite the pricing flexibility gained by the Companies through the Price Plan, competition in the market is steadily eroding the Company's voice market share.

III. INTRODUCTION OF NEW SERVICES

Another component of the public interest standard is to ensure high quality services and make new services available. The Price Plan provides that any new service introduced after the effective date of the Plan will not be subject to price caps; however, a very narrow definition of new services was included in the Plan. New services cannot simply be a repackaging of existing services. During the last three years, promotional pricing for existing service bundles were also offered. All these new offerings may not strictly meet the Commission's definition of new service; however, they do provide benefits to the Companies' customers in terms of rates and options. Please refer to Confidential Exhibit A, which contains a list of these service offerings. These products and services are subject to the same intense competitive pressures that the Companies face for voice services.

IV. REDUCTION OF REGULATION

Two of the Plan objectives specifically address regulatory burden. First, the Plan mandates maintaining the appropriate balance between the need for regulation and competition. Second, the goal is to simplify and reduce the burden of regulation for both the Companies and the Commission. The Plan reduced regulation for Frontier and the Commission by providing for the waiver, in whole or in part, of several Statutes as authorized by ORS 759.255(2).

Conversely, the COVID-19 pandemic actually led to increased regulation of the Companies, primarily through additional reporting requirements, data requests, and proceedings tied to the OPUC's efforts to assist utility consumers financially impacted by the virus. Again, our principal competitors in the wireless industry largely avoided any such oversight.

One major area of regulation that was retained by the Price Plan is service quality. As the voice communications market has continued to evolve since the adoption of the current Price Plan, these outdated service quality standards and monthly reporting requirements continue to be a significant regulatory burden for the Company and, because our competitors are not subject to such regulation, it creates an un-level playing field in the telecommunication market in the Companies' service area. As discussed above in the Section on Current Market Conditions, ILEC voice service represents less than 8.6% of the total voice market, yet ILECs are the only group of providers subject to the PUC's service quality reporting standards. As access line counts decline, the Companies see increasing pressure on the metrics disproportionately exaggerating the effect of small, isolated incidents. This reporting imbalance runs contrary to the Legislature's expressed goal for the State in ORS § 759.015, which mandates a "balanced program of regulation and competition." The increased costs of doing business ultimately impacts the Company's ability to compete in all its markets including voice, video, and data, particularly when competitors beyond the Commission's jurisdiction offer similar or substitutable products and are immune to the reporting burden required of the Companies.

A lighter regulatory touch would allow more equitable competition between all providers and technologies. Ultimately, consumers have differing priorities and therefore adopt the products and services that best meet their individual needs. Service quality reporting is an increasingly outmoded vestige of monopoly regulation, and should be discarded to better align all competitors in Oregon to the balanced program envisioned by the statute.

V. PRICE INCREASES DURING PLAN PERIOD

A list of all price increases instituted during the Plan term, including the remaining amount of pricing flexibility available for each service, is attached at Confidential Exhibit B.

CERTIFICATE OF SERVICE
DOCKET 1895

I HEREBY CERTIFY that I, as an employee of Ziply Fiber Northwest, LLC and Ziply Fiber of Oregon, LLC, have served on August 16, 2021 the parties of record in this proceeding a true copy of the following document(s):

Price Plan Performance Report 2021
Exhibit A – Access Line Report 2021 (CONFIDENTIAL) and Comparison Data OR Price Plan Report 2017 (CONFIDENTIAL)
Exhibit B – OR Rates Increases Summary 2018-2020 (CONFIDENTIAL)

The document(s) was/were sent to each of the parties of record in this docket by electronic transmission to the email addresses of each party or party representative listed below.

Shannon Lipp

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Docket 1895 Service List

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