

**CERTIFICATE OF SERVICE
UM 2040**

I certify that I have this day sent the attached Oregon Cable Telecommunications Association's Response to Staff Questions for Stakeholders by electronic mail to the following:

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I further certify that I have this day sent the attached Oregon Cable Telecommunications Association's Response to Staff Questions for Stakeholders by electronic mail to the following parties or attorneys of parties:

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22 Dated at on this 26th day of October, 2020.

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/s/Katherine Hardee
Katherine Hardee, Executive Legal Assistant to
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CERTIFICATE OF SERVICE

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

DOCKET NO. UM 2040

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Investigation of the Oregon Universal
Service Fund.

OCTA RESPONSE TO
STAFF QUESTIONS FOR
STAKEHOLDERS

The Oregon Cable Telecommunications Association (“OCTA”) hereby submits its responses to the questions posed by Oregon Public Utility Commission Staff in the document Staff filed on September 18, 2020 entitled “Staff Timeline and Stakeholder Questions.” Included are several suggestions for additional items that OCTA requests Staff and Stakeholders address at the workshop scheduled for November 2, 2020.

OCTA RESPONSES TO STAFF QUESTIONS FOR STAKEHOLDERS

1. How should the Commission determine the cost of providing this service? Staff seeks comment on the use of a general methodology, other methodologies and what information/reporting should be required.

OCTA Response – **Cost Studies** The cost studies that the Commission has used to date to calculate the cost of providing Basic Telephone Service are out of date and based on assumptions and inputs that no longer reflect the modern fiber networks that carriers now use for the provision of

Basic Telephone Service. The FCC has used newer models designed for estimating the cost of modern fiber networks, including the Connect America Cost Model (“CAM”) for price-cap ILECs and the Alternative connect America Cost Model (“ACAM”) for rural ILECs. OCTA believes the Commission should use CAM to calculate modern fiber network costs for Lumen and Zply, and ACAM for the Oregon RLECs.

Cost Allocation Because the CAM and ACAM models calculate the costs associated with modern fiber networks, in order to calculate OUSF support per ORS 759.425(4)(a) (i.e., cost of providing Basic Telephone Service minus benchmark minus federal support), an allocation will need to be performed to reflect the cost of providing Basic Telephone Service (i.e., remove the costs associated with provision of services other than Basic Telephone Service).

Allocation Methodology – The Commission should allocate costs based upon the bandwidth needed to provide Basic Telephone Service (see OCTA testimony in UM 1481 Phase III).

2. What federal support amounts should be deducted?

OCTA Response – The Commission should deduct from OUSF support all federal support for any network infrastructure, including voice and broadband (see ORS 759.425(4)(a)). In other words, the Commission should deduct all support associated with the federal

USF high-cost mechanism, as well as revenue associated with telecommunications access fees (such as End User Common Line and Access Recovery Charge).

3. How should the benchmark be defined and calculated?

OCTA Response – Consistent with the approach taken by the FCC when determining reasonable comparability ranges, the Commission should set the benchmark at two standard deviations above the weighted average cost of CAM generated census block cost estimates for the non-rural ILECs and two standard deviations above weighted average cost of A-CAM generated census block cost estimates for the RLECs.

4. How shall the Commission identify high cost areas and at what geographic level?

OCTA Response – The Commission should identify high cost areas at the census block level (*see* responses to questions 6 and 7, below). The CAM and ACAM cost models generate costs at the census block level. In addition, the FCC gathers and publishes relevant competition information at the census block level.

5. Should the Commission link support to the current high cost areas?

OCTA Response – No (*see* response to question 4, above).

6. How should the Commission define competition?

OCTA Response – For purposes of determining which high-cost census blocks should be eligible to receive OUSF support, the Commission should define competition as the existence of at least one unsubsidized wireline or wireless provider of voice services similar in functionality to Basic Telephone Service (including VoIP).

What information should be considered in evaluating the existence of competition?

OCTA Response – The Commission should consider USAC and FCC listings of areas designated as lacking competition (*i.e.*, available for federal high-cost support, such as RDOF).

How often should an area be evaluated?

OCTA Response – Annually.

7. Are there areas that can be classified as ineligible or eliminated from consideration for eligibility because of non-subsidized competition or specific federal support?

OCTA Response – Yes. The Commission should identify as ineligible for OUSF support any census blocks with at least one unsubsidized wireline or wireless provider of voice services similar in functionality to Basic Telephone Service (*see* response to question 6, above). In addition, the

Commission should identify as ineligible for OUSF support any census blocks that have been awarded federal or state high-cost or broadband funding (*e.g.*, CAF II, CARES Act grants, Oregon Broadband Fund grants or loans, etc.).

8. Should the definition of Basic Telephone Service be changed?

OCTA Response – No.

If so, what should this definition include?

OCTA Response – N/A.

Should a new definition be used in determining the benchmark?

OCTA Response – No.

9. If the amount of calculated support exceeds the amount of available funds, how should the funds be allocated?

OCTA Response – No position.

Staff requests comments on the general subject of how to determine eligibility to receive support from the OUSF.

(*See* responses to questions 6 and 7, above)

10. Should a distribution be made directly to carriers or be passed through to individuals?

OCTA Response – The Commission can achieve sufficient competitive neutrality through direct distributions to carriers if the Commission adopts OCTA’s recommendations for designating as ineligible for OUSF support any census blocks with at least one unsubsidized wireline or wireless provider of voice services similar in functionality to Basic Telephone Service (*see* responses to questions 6 and 7, above).

11. By what methods can the Commission encourage Broadband service availability?

OCTA Position – Consistent with ORS 759.425(2)(b), the Commission can provide support to telecommunications carriers that provide both basic telephone service and broadband service (as it has been doing all along).

12. Are there classes of companies the Commission should classify as not eligible for support?

OCTA Position – Given the caps on the overall fund size and surcharge, the Commission should focus its support on rural LEC serving areas and classify as not eligible for OUSF support the price cap ILECs in Oregon (i.e., Lumen and Ziplly). Recent FCC actions (*i.e.*, BDS Order, UNE Forbearance dockets WC Nos. 18-141 and 19-308) and evidence supplied by these ILECs in the Commission’s recent COLR workshops demonstrates that there is sufficient competition

in their Oregon territories that OUSF support is no longer warranted.

13. Should the Commission tie eligibility to maintaining COLR obligations?

OCTA Position – Consistent with the discussion in the Commission’s recent COLR workshops and Report, where the Commission (or the legislature) grants an ILEC COLR relief, it should no longer be eligible for OUSF support.

ADDITIONAL ISSUES

OCTA believes the parties should address the following additional issues at the November 2, 2020 workshop:

- The Commission should revisit both the expected duties of and composition of the OUS Advisory Board. For example, the Advisory Board should, at a minimum address proposed changes to the OUSF surcharge rate. In addition, there should be at least one VoIP provider representative on the OUS Advisory Board.
- In docket AR 640, Staff recommended to the Commission that the parties address in this proceeding any changes to the definition of “gross revenues” subject to the OUSF surcharge. OCTA believes that the Commission should change the definition to make clear that uncollectibles are not included in calculating gross revenues subject to the surcharge. OCTA continues to believe that the Commission should address this issue in the AR 640 rulemaking, and will be filing comments to that effect in AR 640. In the event the Commission does not

address the issue in AR 640, OCTA urges Staff and the Stakeholders to address this issue immediately in UM 2040 so that a recommendation can be made to the Commission before January 1, 2020.

- OCTA would like to discuss possible adjustments to the Staff's proposed schedule to avoid having the Stakeholder review and comments on the Staff's straw proposal occur over the holidays.
- Given the issues that the parties will need to address in this docket, OCTA continues to believe that an evidentiary record will be required. The parties should discuss whether to request that the ALJ schedule a prehearing conference to adopt a procedural schedule and address the applicable discovery rules.

Respectfully submitted this 26th day of October 2020.

OREGON CABLE TELECOMMUNICATIONS ASSOCIATION

By:



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October 26, 2020

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Re: UM 2040 – Oregon Cable Telecommunications Association Response to Staff Questions for Stakeholders

To Whom It May Concern:

Attached for filing in the above-referenced docket is Oregon Cable Telecommunications Association's ("OCTA") Response to Staff Questions for Stakeholders. Please let us know if you have any questions.

Sincerely

Davis Wright Tremaine LLP



Mark P. Trinchero

cc: Fawn Barrie (via email)