BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

DOCKET NOS. UM 2040

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation of the Oregon Universal Service Fund.	OCTA STRAW PROPOSAL

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The Oregon Cable Telecommunications Association ("OCTA") hereby submits its Straw Proposal in the above referenced dockets. In the interest of a consistent approach and ease of review, OCTA's Straw Proposal is presented as a redline of the Commission Staff's Straw Proposal dated July 27, 2021.

How would you determine the cost of basic telephone service? What model/s should be used?
Staff recommends using the CostQuest Model for all companies. OCTA agrees with Staff's approach.

In order to be equitable and non-discriminatory in providing support, Staff believes the way to do this is to treat all companies or census blocks in a similar manner. Using the same model for all companies would ensure that all census blocks would be subject to the same rules/methodology, standards, and assumptions.

Over the years, the number of small rural companies claiming the Alternative Connect America Cost Model (ACAM), and therefore relying on the CostQuest model for federal support, has increased and is now just under fifty percent. Staff believes this will continue to increase over the next several years, meaning the use of the CostQuest model will become more widespread as we move forward into the 2020s.

The CostQuest model is used by the FCC to provide federal support. Mirroring the OUSF with the federal universal service fund support model would enable the PUC to identify which census blocks are receiving Federal support and for which service. Census block data on competition information is also available if the Commission determines it can and wishes to uncouple support in areas with an unsubsidized competitor.

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. 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.).

The CostQuest Model is a forward-looking model that assumes a network all companies should be aspiring to and therefore this would support the statutory directive of "encouraging broadband". Staff is aware of the non-representative nature of the model for some rural companies and therefore would be open to proposing language for adjusting inputs on a case-by-case basis. OCTA agrees that rural companies should have an ability to demonstrate circumstances that warrant adjusting certain inputs and model assumptions.

If more than one cost model is to be used, do you foresee any issues ensuring comparable costs basis's or cost allocations? How would these issues be resolved?
Staff is recommending the use of one cost model. OCTA agrees with this approach.

What services would these costs support?
As statute ORS 759.425 states, these costs should support basic telephone service. OCTA agrees.

What does this cost represent in terms of network elements?
Staff would like to rely upon the Cost Quest model and consult with its technical staff and stakeholders to discuss and determine what aspects of the network would be allocated to a voice service. OCTA tentatively agrees to this approach.

If these network elements support more than voice services, would costs be allocated? If so, on what basis?
CostQuest stated that the voice element of the local loop could be identified by usage or traffic plus any costs that are voice specific. Staff agrees with this method. OCTA tentatively agrees with this approach. It is important to note that there will be shared network components and costs that will need to be allocated. Such allocation should be based upon the bandwidth needed to provide Basic Telephone Service (*see* OCTA testimony in UM 1481 Phase III).

What would the benchmark reflect? How would you calculate the benchmark? Would there be more than one benchmark?

Staff recommends using the average cost of the loop to establish the benchmark. Staff recommends the benchmark should at the minimum be set at the weighted average cost for all companies calculated at the census block level. The need for a benchmark above the weighted average cost will be considered and calculated, if required. The timing and decision criteria for such a calculation will need to be discussed. 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 CostQuest-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.

In addition, for census blocks with at least one unsubsidized wireline or wireless provider of voice services similar in functionality to Basic Telephone Service, the benchmark should be set equal to the CostQuest-generated census block cost. The benchmark should also be set equal to the CostQuest-generated census block cost in 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.)

Finally, for any census block within an area for which an ILEC has been granted COLR relief, the benchmark should be set equal to the CostQuest-generated census block cost.

What federal compensation used to recover local loop costs should be deducted? What federal support should be deducted?

With regards to federal support deductions, Staff's opinion is that the funds to be deducted would be dependent on the calculation and the steps within that calculation to isolate a net intrastate voice cost.

Staff believes it is important to isolate an intrastate-voice-only portion of the network costs, net of support amounts. OCTA agrees. If the jurisdictional and service allocation takes place after support amounts are deducted, then all federal support amounts will be considered. If the jurisdictional and service allocation takes place prior to support reduction, then voice only federal support would be used to reduce the cost for voice only lines. OCTA agrees.

If any of the federal support funds should be allocated between services or jurisdictions, how would you achieve this?

Using the CostQuest model, we should be able to identify the number of voice-only lines, broadband-only lines, and both voice/broadband lines in a census block, and the federal support allocated to each. Per the Universal Service Administration Companies (USAC) website, ACAM, High Cost Loop (HCL), Connect America Fund (CAF) and CAF – Broadband Loop Support (BLS) can all be used to support both voice and broadband services/networks; therefore, Staff would recommend these funds should be allocated and deducted. OCTA agrees that these funds should be allocated and deducted, as well as RUS and RDOF support. In addition, the EUCL revenue should also be deducted as is done under current mechanism. For dual usage lines, OTA suggested in its initial comments the possibility of using previous HCL support amounts as an indication of an appropriate deduction amount and Staff is in agreement with this idea. While this method would work for RLECs, it would not work for the price cap ILECs, as they never had HCL. Since we will need to allocate model costs to voice, we can use the same %age to determine a portion

CAM/ACAM support attributable to voice. For other funds, Staff would like to hear further stakeholder suggestions before recommending a specific deduction.

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