

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 22, 2007**

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

DATE: May 15, 2007

TO: Public Utility Commission

FROM: Kay Marinos

THROUGH: Lee Sparling and Dave Booth

SUBJECT: WANTEL INC dba COMSPANUSA: (Docket No. UM 1307) Application for Designation as an Eligible Telecommunications Carrier in the Coquille Wire Center.

**STAFF RECOMMENDATION:**

Staff recommends the Commission grant the application by Wantel, Inc. dba ComspanUSA (Wantel) for designation as an eligible telecommunications carrier (ETC) for purposes of federal universal service support, in the Coquille wire center of the incumbent local exchange carrier (ILEC), Verizon Northwest Inc. (Verizon). Through its application, Wantel demonstrates that it meets the requirements for federal ETC designation adopted by the Commission on June 13, 2006, in Docket No. UM 1217, Order No. 06-292.

**DISCUSSION:**

Background

Wantel is a competitive local exchange carrier (CLEC), certified by the Commission on August 20, 1999, in Order No. 99-507, to provide telecommunications services in Oregon. Wantel provides local exchange services using its own network facilities, leased loop facilities, and resale of ILECs' retail services.

Wantel requests designation as a federal ETC in the Coquille wire center of the incumbent, Verizon. Federal ETC status enables a carrier to receive federal universal service support. The Commission previously designated Wantel as a federal ETC in three Qwest Corporation wire centers (Roseburg, Sutherlin and Winston) and one

Verizon wire center (Bandon). See Docket No. UM 1202, Order No. 05-856, and Docket No. UM 1255, Order No. 06-681. Approval of this request will add the Coquille wire center to Wantel's current designated service area. As in previous applications, Wantel seeks federal ETC designation primarily to enable it to apply for support from the Oregon Universal Service Fund (OUSF). Federal ETC status is a prerequisite to state ETC status and eligibility for OUSF support. Once the Commission designates Wantel a federal ETC in Coquille, Wantel will file a separate application for Oregon ETC status in that wire center. Wantel currently receives OUSF support in the Roseburg, Sutherlin, Winston and Bandon wire centers.

Federal ETC designation will also enable Wantel to participate in the federal low-income assistance program (Lifeline/Link Up) and its Oregon corollary, the Oregon Telecommunications Assistance Program (OTAP). Through these programs, Wantel will offer discounts to qualifying low-income customers in Coquille.

Wantel filed its initial application for federal ETC status in the Coquille wire center on March 21, 2007. After issuance of a protective order, Wantel filed the required 5-year network improvement plan under confidential cover on April 18, 2007. After discussion with Staff, Wantel revised parts of its application and submitted revisions on May 14, 2007.

Wantel provided a copy of its application to the incumbent carrier, Verizon. Staff notified all CETCs, as well as the Oregon Telecommunications Association, of Wantel's filing. As of the date of this memo, no parties have indicated opposition to the application.

#### Commission Authority

Section 214(e)(2) of the federal Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the Act), delegates authority to state commissions to designate common carriers that are eligible to receive federal universal service support. State commissions may confer federal ETC status on common carriers that meet conditions set out in Section 214(e)(1) of the Act. In general, those conditions require that the ETC offer and advertise, throughout its designated service area, the services that are supported by federal universal service support mechanisms. The carrier must provide the supported services using either its own facilities or a combination of its own facilities and resale of another carrier's services. Carriers other than incumbent LECs may be designated as ETCs if such designation is consistent with the public interest.

### Requirements for ETC Designation

In June of last year, the Commission adopted a set of explicit requirements for federal ETC designation, based largely on the Act and FCC recommendations. See Docket No. UM 1217, Order No. 06-292. Appendix A to the order sets forth detailed requirements. Wantel demonstrates through its application and network improvement plan that it satisfies each of those requirements as described below.

1. Common carrier status: Wantel is a CLEC, certified by the Commission in Order No. 99-507, to provide local and long distance telecommunications services in Oregon.
2. Commitment and ability to provide all supported services: Wantel currently offers all required supported services, including a local usage plan comparable to that of the incumbents, in its current designated service area. Wantel commits to provide all supported services in Coquille.
3. Commitment and ability to provide supported services throughout the designated service area: An ETC must be willing and able to provide the supported services to any requesting customer at any location within its designated service area. Wantel's application includes a map of its planned network coverage in the Coquille area. Wantel plans to use its own network facilities to provide service to most customers in Coquille, but it needs support funds to build out its network to reach as many customers as possible. Wantel commits to provide timely service to all requesting customers, and will lease facilities or resell Verizon services if Wantel cannot initially serve a requesting customer using its own facilities. Wantel proposes to serve the entire Coquille wire center. Appendix A to this memo lists specific wire center information that the Universal Service Administrative Company (USAC) needs for federal support disbursement purposes.
4. Use of own facilities to provide service: Wantel currently has significant network infrastructure in place and plans to serve customers on its own facilities whenever possible.
5. Commitment to use support funds only for the intended purposes (including a detailed network plan): Wantel's application includes an affidavit certifying that it will use support funds only for the intended purposes. Wantel will receive the same amount of support per line as the incumbent carrier, Verizon. The only available federal high-cost support in Coquille is Interstate Access Support (IAS), which is approximately \$5.79 per month for each residence and single-line business line, and \$3.48 for each multi-line business line. Verizon also receives \$7.97 each month from the OUSF for

each access line in the Coquille wire center. Wantel will be eligible for the same amount of OUSF support per line if in a subsequent proceeding the Commission designates the company an Oregon ETC in Coquille. Because Wantel's primary objective is to receive OUSF support in Coquille, Wantel includes both types of support in its required network improvement plan. Although Wantel must obtain eligibility to receive OUSF support through a separate, subsequent application, plans for the combined funds demonstrate how Wantel intends to use both types of support to build out its network in the Bandon service area. Wantel needs both types of support funds to construct a fiber-based network that will give existing and new customers access to high-quality, reliable, and efficient advanced residential and business services.

6. Commitment to advertise supported services: Wantel commits to advertising the supported services throughout the designated service area using media of general distribution.

7. Commitment to offer and advertise Lifeline, Link Up, and OTAP services: Wantel commits to offer federal Lifeline and Link Up discounts, as well as state OTAP discounts, to qualifying low-income customers. Wantel describes how it will advertise these services to reach consumers most likely to qualify. Wantel already participates in these low-income programs in its currently designated service area.

8. Ability to remain functional during emergencies: Wantel demonstrates its ability to remain functional in emergency situations by describing the availability of battery and emergency generator back-up power, the redundancy and diversity that is built into its network, and its capabilities for handling traffic spikes. Wantel fully complies with E911 requirements.

9. Commitment to service quality and consumer protection standards: As a certified CLEC in Oregon, Wantel is subject to Oregon consumer protection laws and service quality requirements. Wantel's application includes service quality reports that demonstrate it has met or surpassed the Commission's quality standards in its current service areas.

10. Public Interest Demonstration: Order No. 06-292 requires a demonstration that designation of the applicant is in the public interest. This demonstration must address: 1) specific ways in which consumer choices will be increased, and 2) specific advantages and disadvantages of the applicant's service offerings. Additionally, designation requires a creamskimming test, but only if the proposed designated service area includes wire centers of a rural ILEC. Because Verizon is a non-rural ILEC, the creamskimming test does not apply to Wantel's application.

Wantel's application demonstrates that designating Wantel as an ETC in Coquille is in the public interest. Wantel's designation will result in increased consumer choice as Wantel invests universal service support funds to expand its state-of-the-art network and provide genuine facilities-based competition in the Coquille area. Coquille residents will have a greater choice of local service providers, as well as an alternative wireline provider for voice, broadband internet, high speed data, and other advanced services.

The advantages of Wantel's proposed service offerings include the greater reliability and feature-rich services offered by a new fiber-based broadband network. The advantages of Wantel's services and network will also be available to Lifeline-qualifying low-income consumers. Staff is unaware of any significant disadvantages of Wantel's service offerings, compared to those offered by the incumbent.

If designated, Wantel will be the first CLEC to receive federal ETC status in Coquille. Two other competitive ETCs -- US Cellular Corporation and Edge Wireless -- have been designated in Coquille, but both are wireless carriers.

Due to the growing size of the federal high cost fund, the Federal-State Joint Board on Universal Service recently recommended that the FCC impose an interim, emergency cap on the amount of high cost support that CETCs can receive. See Federal-State Joint Board on Universal Service, Recommended Decision, FCC 07J-1, released May 1, 2007. The FCC released a notice seeking comments on the recommendation on May 14, 2007. See Notice of Proposed Rulemaking, FCC 07-88. Comments and replies must be filed within 21 days after publication in the Federal Register. The FCC took no position on the merits of the Joint Board's recommendation in the notice.

The Joint Board proposal would cap total support for CETCs in each state at the 2006 level of disbursements. In Oregon, all CETCs would share proportionately in the capped amount of \$10 million per year, which is less than the \$16-\$18 million of support that all currently designated CETCs are expected to receive in 2007 without the constraint of a cap. Compared to the reduction in support due to the proposed cap, the support that Wantel would receive for the Coquille wire center is minimal. Furthermore, no other ETCs oppose Wantel's application. Given the uncertainty regarding FCC action, and the fact that Wantel will be prohibited from applying for OUSF support in Coquille until it receives federal ETC designation in Coquille, Staff recommends the Commission grant designation without delay.

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### Reporting Requirements

Order No. 06-292 also requires that all ETCs file annual reports with the Commission in order to retain their ETC status. Wantel agrees to abide by these reporting requirements.

### **PROPOSED COMMISSION MOTION:**

Wantel, Inc. dba ComspanUSA's application for designation as a federal ETC in the Coquille wire center be granted.

APPENDIX A

Wantel Inc. dba ComspanUSA  
Federal ETC Designated Service Area - Oregon  
(Additional Wire Center\*)

<u>Wire Center</u>	<u>CLLI Code</u>	<u>ILEC Study Area</u>
Coquille	CQLLOR	Verizon Northwest Inc. (532416)

\*Wantel is currently designated as a federal ETC in the following wire centers in Oregon: Winston (WNTNOR), Sutherlin (STHROR), Roseburg (RSBGOR), and Bandon (BNDNOR). Approval of Wantel's current application will add the Coquille (CQLLOR) wire center to Wantel's designated service area for federal universal service support eligibility.