

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN RE: INQUIRY OF THE OKLAHOMA)
CORPORATION COMMISSION TO IDENTIFY AND)
RESOLVE ISSUES RELATED TO THE OKLAHOMA)
UNIVERSAL SERVICE FUND, LIFELINE SERVICE,)
OKLAHOMA HIGH COST FUND, BROADBAND)
SUPPORT, VOIP SERVICE AND OTHER)
TELECOMMUNICATIONS MATTERS)

CAUSE NO. PUD 201800066

FILED
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CORPORATION COMMISSION
OF OKLAHOMA



**Oklahoma Universal Service Fund Highlights Supporting Oklahoma Public
Schools, Libraries, and Eligible Telemedicine Providers**

BRANDY L. WREATH
Oklahoma Universal Service Fund Administrator
Public Utility Division Director

August 5, 2019



Brandy Wreath, Director PUD/OUSF Administrator

Date: August 5, 2019

RE: Response to OUSF Information Requests

**Oklahoma Universal Service Fund (OUSF) Highlights
Supporting Oklahoma Public Schools, Libraries, and Eligible Telemedicine Providers
(Excerpt from Annual Update)**

The Public Utility Division (PUD) continues its efforts to increase transparency and efficiency of the Fund, as it is funded through Oklahoma citizens, while maximizing benefits to eligible entities across the State. The following are highlights from 2018:

Accountability through Internal Controls:

- Strategic focus on improving OUSF Audit Programs for efficiency and effectiveness. Reduced errors and processing times;
- Implemented a Quality Performance Management Scoring System with clear metrics to measure quality performance;
- Continued auditing OUSF monthly payouts. Audits have resulted in reimbursements to the OUSF.

Accountability through Reporting Transparency:

- Monthly posting of all payments, reports, and audit updates to the Commission website. <http://www.occeweb.com/PU/OUSF/OUSF.htm>;
- Weekly funding reports posted to PUD's Facebook page.

Accountability through Performance-Based Outcomes:

- Robust audits of service providers and process improvements resulted in continued reduction to the average price per Mb (megabit) to Oklahoma schools and libraries;
- The average cost per Mb has **decreased from \$20.50 in 2015 to \$5.27 in 2018**;
- Since 2015, median bandwidth **speeds** to beneficiaries have **increased by 370%**;
- Continued goal to expand fiber to every Oklahoma school district through OUSF and Special Construction support;
- As of the end of 2018, **1,248 schools have fiber infrastructure**.

Oklahoma Universal Service Fund and Oklahoma High Cost Fund History

The Oklahoma Universal Service Fund ("OUSF") has been in existence for the last 22 years as it was established by statute in 1997 (the Oklahoma Telecommunications Act of 1997 – 17 O.S. §§ 139.101, *et seq.*).

The Oklahoma High Cost Fund (HCF) was established in 1996 when the Commission approved the *1996 Oklahoma Access Charge Plan and Stipulation* in Cause Nos. PUD 950000117 / 950000119 in Order No. 399040 issued on January 30, 1996. The purpose was to create an access charge plan to replace the Toll Pools mechanism that existed at the time. As part of the access reforms, this \$37 million annual fund was established to be paid to rural telephone companies impacted by the access reform. This fund was supported by payments from providers of intrastate toll services in Oklahoma.

The Plan Objectives, in addition to neutrality, were:

- A. To provide a mechanism to expand telecommunications competition by establishing a High Cost Support Fund, with participation by all telecommunications providers;
- B. To continue infrastructure investment incentives by all Oklahoma telecommunications providers;
- C. To allow for the rapid implementation of nondiscriminatory access charges; and
- D. To eliminate the pooling of revenues and allow each company to bill and keep its revenues.

The Commission, in Order No. 673325 issued on February 8, 2018, in Cause No. PUD 201200040, abolished the Oklahoma High Cost Fund. The abolishment included a transition time period of four years with a 25% reduction in support from the fund to occur each year beginning in 2019.

One of the components of the Oklahoma Telecommunications Act of 1997 is 17 O.S. § 139.106(K). This section of the statute establishes a funding review mechanism which specifically prohibits a review that considers rate case or earnings investigations (See 17 O.S. § 139.106(K)(2)) in certain circumstances. This section is applicable in those instances where a government action results in a revenue reduction or cost increase for an eligible local exchange telecommunications service provider. Rather than a needs-based review, the review is limited to the calculation of the dollar impact of the government action (e.g., rule, order, policy resulting in a revenue reduction or cost increase). The statute requires payment from the OUSF for the amount verified in the calculation.

The Commission Order abolishing the Oklahoma High Cost Fund triggered this subsection of the statute, and the impacted companies have filed for reimbursement from the OUSF of the funding dollars previously received from the Oklahoma High Cost Fund. (See attached spreadsheet A1-F37)

Another important component of the Oklahoma Telecommunications Act of 1997 is 17 O.S. § 139.106(G). This section provides for a funding review mechanism that is based on a full earnings investigation and audit that considers the company's revenues (including OUSF reimbursements), expenses and investments related to their provision of Primary Universal Service. In these cases, the funding review considers the levels of costs and investments as

well as the reasonableness of such expenditures. Of late, six requests have been filed under this subsection of the statute. In each case, the Administrator conducted a full review, and based on the facts of each application, disallowed some expenses to determine appropriate funding levels. (See attached spreadsheet A38-D43)

Descriptions and Benefits of the OUSF Support Mechanisms

Special Universal Services (17 O.S. §§ 139.102(39), 139.106(B), 139.109.1)

Eligible public schools and public libraries receive funding for the provision of internet access. These funds are typically used to supplement the federal support available through the federal E-rate program. Through the implementation of competitive bidding and the establishment of bandwidth standards, the Administrator, over time, has been able to reduce costs and increase the bandwidth available to Oklahoma schools and libraries. Eligible healthcare entities also receive funding for telemedicine services which include standards-based bandwidth, reasonable installation and network termination equipment. (See attached spreadsheet A71-E74)

Oklahoma Lifeline Fund (17 O.S. § 139.105)

The Oklahoma Lifeline Fund (OLF), which is included within the OUSF, currently provides nominal supplemental support for eligible low-income subscribers of the federal Lifeline support program, furthering the goal of striving to keep the neediest Oklahomans connected through access to voice and broadband services.

Primary Universal Services (17 O.S. §§ 139.102(35), 139.106(B))

Primary Universal Service is statutorily defined as an access line and dial tone that provides access to two-way switched or dedicated communication in the local calling area to include a) primary directory listing; b) dual-tone multi-frequency signaling; c) access to operator services; d) access to directory assistance; e) access to telecommunications relay services for the deaf or hard-of-hearing; f) access to 911; and g) access to interexchange long distance services.

The statute directs that the OUSF shall be funded and administered to promote and ensure the availability of primary universal services, at rates that are reasonable and affordable, and to provide for reasonably comparable services at affordable rates in rural areas as in urban areas. Some benefits are:

- Keeping rural Oklahomans, whose cost to serve are higher, connected to emergency services and each other;
- Ensuring that rates for services in high cost areas (rural areas) are kept at a reasonable and affordable level;
- Supporting the availability of essential network facilities to support economic development in rural Oklahoma;
- Supporting the availability of critical wireline backbone infrastructure necessary to carry some wireless services to and from rural Oklahoma; and
- Supporting critical network facilities that are key to the deployment of broadband and the goal of narrowing the Digital Divide in rural Oklahoma.

Oklahoma Universal Fund
High Level Summary of Recent Funding, Legislative Request (Full info posted monthly to OCC/PUD Website)
www.occeweb.com/PU/OUSF/OUSF.htm
August 5, 2019

A **B** **C** **D** **E** **F**
High Cost Fund Related OUSF Section K Funding: To replace Funding Ordered in 1996, Order #399040 which was dissolved in 2018 by Order #673325 (All subject to Section K and no allowance for determination of Need by Administrator, 17 O.S. Sec 139.106(K))

Company Name	OCC Cause # to Recover Lost HCF from OUSF	Year 1 3/1/19-2/29/20	Year 2 3/1/20-2/28/21	Year 3 3/1/21-2/28/22	Ongoing Begin 3/1/22
Atlas Telephone Company, Inc.	201800370	\$ 80,927.04	\$ 161,854.44	\$ 242,781.72	\$ 323,709.00
Beggs Telephone Company	201800460	\$ 111,918.72	\$ 223,837.44	\$ 335,756.16	\$ 447,675.00
Bixby Telephone Company	201800461	\$ 239,136.96	\$ 478,273.92	\$ 717,411.00	\$ 956,547.96
Canadian Valley Telephone Company	201800371	\$ 68,434.92	\$ 136,869.96	\$ 205,305.00	\$ 273,739.92
Carnegie Telephone Company	201800462	\$ 65,425.68	\$ 130,851.48	\$ 196,277.16	\$ 261,702.96
Central Oklahoma Telephone Co., LLC	201800542	\$ 144,314.40	\$ 288,628.92	\$ 432,943.44	\$ 577,257.96
Chickasaw Telephone Company	201800372	\$ 281,747.64	\$ 563,495.40	\$ 845,243.16	\$ 1,126,990.92
Cimarron Telephone Company, Inc.	201800661	\$ 493,086.48	\$ 987,372.96	\$ 1,479,259.56	\$ 1,972,345.92
Consolidated Communications of Oklahoma Company d/b/a Consolidated Communications f/k/a Chouteau Telephone Company	201800368	\$ 212,473.92	\$ 424,947.96	\$ 637,422.00	\$ 849,895.92
Cross Telephone Company, Inc.	201800660	\$ 186,213.24	\$ 372,426.48	\$ 558,639.72	\$ 744,852.96
Dobson Telephone Company	201800373	\$ 360,358.44	\$ 720,717.00	\$ 1,081,075.44	\$ 1,441,434.00
Grand Telephone Company, Inc.	201800369	\$ 85,560.48	\$ 171,120.96	\$ 256,681.44	\$ 342,241.92
Hinton Telephone Company, Inc.	201800375	\$ 145,675.92	\$ 291,351.96	\$ 437,028.00	\$ 582,703.92
KanOkla Shidler, LLC	201800376	\$ 41,803.20	\$ 83,606.40	\$ 125,409.72	\$ 167,212.92
KanOkla Telephone Association	201800374	\$ 100,404.72	\$ 200,809.44	\$ 301,214.16	\$ 401,619.00
Lavaca Telephone- Pinnacle Communications	201800377	\$ 19,635.48	\$ 39,270.96	\$ 58,906.44	\$ 78,541.92
Dobson Telephone Company, Inc., d/b/a McCloud Telephone Company	201800378	\$ 319,900.92	\$ 639,801.96	\$ 959,703.00	\$ 1,279,603.92
Medicine Park Telephone Company	201800379	\$ 58,445.40	\$ 116,890.92	\$ 175,336.44	\$ 233,781.96
Mid-America Telephone, LLC d/b/a TDS Telecom/Mid-America Telephone	201800388	\$ 30,206.28	\$ 60,412.56	\$ 90,618.72	\$ 120,825.00
Oklahoma Communication Systems, LLC d/b/a TDS Telecom/Oklahoma Communication Systems	201800389	\$ 675,847.80	\$ 1,351,695.48	\$ 2,027,543.28	\$ 2,703,390.96
Oklahoma Western Telephone Company	201800380	\$ 306,619.68	\$ 613,239.48	\$ 919,859.16	\$ 1,226,478.96
Oklahoma Windstream, LLC	201800637	\$ 265,188.24	\$ 530,376.48	\$ 795,564.72	\$ 1,060,752.96
Oklatel Communications, Inc.	201800381	\$ 115,023.96	\$ 230,047.92	\$ 345,072.00	\$ 460,095.96
Panhandle Telephone Cooperative, Inc.	201800382	\$ 407,583.72	\$ 815,167.44	\$ 1,222,751.16	\$ 1,630,335.00
Pine Telephone Company, Inc.	201800367	\$ 172,814.64	\$ 345,629.40	\$ 518,444.16	\$ 691,258.92
Pioneer Telephone Cooperative, Inc.	201800383	\$ 2,946,684.96	\$ 5,893,369.92	\$ 8,840,055.00	\$ 11,786,739.96
Pottawatomie Telephone Company, Inc.	201800659	\$ 263,266.56	\$ 526,533.00	\$ 789,799.56	\$ 1,053,066.00
Salina-Spavinaw Telephone Company	201800662	\$ 180,594.48	\$ 361,188.96	\$ 541,783.44	\$ 722,377.92
Santa Rosa Telephone Cooperative, Inc.	201800463	\$ 12,684.24	\$ 25,368.48	\$ 38,052.72	\$ 50,736.96
South Central Telephone Association	201800384	\$ 27,728.64	\$ 55,457.40	\$ 83,186.16	\$ 110,914.92
Southwest Oklahoma Telephone Company	201800464	\$ 60,361.92	\$ 120,723.96	\$ 181,086.00	\$ 241,447.92
Terral Telephone Company	201800385	\$ 7,327.68	\$ 14,655.48	\$ 21,983.16	\$ 29,310.96
Totah Communications, Inc.	201800366	\$ 182,068.68	\$ 364,137.48	\$ 546,206.16	\$ 728,274.96
Valliant Telephone Company	201800386	\$ 29,474.64	\$ 58,949.40	\$ 88,424.16	\$ 117,898.92
Windstream Oklahoma, LLC	201800638	\$ 578,562.96	\$ 1,157,126.04	\$ 1,735,689.00	\$ 2,314,251.96
Wyandotte Telephone Company	201800387	\$ 9,689.64	\$ 19,379.40	\$ 29,069.16	\$ 38,758.92
Totals		\$ 9,287,192.28	\$ 18,575,586.84	\$ 27,861,581.28	\$ 37,148,775.24

Primary OUSF Funding 7/18-6/19 based on PUD Earnings Review of Company- (All subject to full review and audit, 17 O.S. Sec 139.106(G))

Medicine Park Telephone Company 2014	201500444	\$ 309,016.90
Panhandle Telephone Cooperative, Inc. 2017	201800685	\$ 3,302,367.47
Santa Rosa Telephone Cooperative, Inc. 2017	201900040	\$ 395,205.79

Primary OUSF Funding 7/19-6/20 based on PUD Earnings Review of Company- (All subject to full review and audit, 17 O.S. Sec 139.106(G))

Pine Telephone Company, Inc. 2015	201900072	\$ 2,438,035.45
Pine Telephone Company, Inc. 2016	201900073	\$ 1,878,693.70
Pine Telephone Company, Inc. 2017	201900074	\$ 2,091,360.43

Other Primary OUSF Funding Issued 7/18-6/19 Section K (Not OK HCF or (G) Related) (No needs based review allowed, 17 O.S. Sec 139.106(K))

Beggs Telephone Company	200200407	\$	3,119.13
Beggs Telephone Company	201800185	\$	80,198.87
Beggs Telephone Company	201800639	\$	60,668.94
Chickasaw Telephone Company	200000193	\$	11,835.00
Chickasaw Telephone Company	201800282	\$	125,958.00
Dobson Telephone Company	201700040	\$	54,766.71
Dobson Telephone Company	201700041	\$	28,817.23
Dobson Telephone Company	201800255	\$	114,631.67
Dobson Telephone Company	201800258	\$	29,271.43
Dobson Telephone Company	201800268	\$	32,764.00
Dobson Telephone Company	201800447	\$	198,538.59
Dobson Telephone Company	201800448	\$	159,590.36
Dobson Telephone Company d/b/a McLoud Telephone Company	201800267	\$	25,345.00
Lavaca Telephone- Pinnacle Communications	201800640	\$	174,094.00
Lavaca Telephone- Pinnacle Communications	201800641	\$	55,802.00
Oklatel Communications, Inc.	200100214	\$	267,804.00
Oklatel Communications, Inc.	201800271	\$	53,390.00
Panhandle Telecommunication Systems	201000173	\$	958,596.00
Panhandle Telephone Cooperative, Inc.	990000379	\$	1,008,569.04
Panhandle Telephone Cooperative, Inc.	201300121	\$	340,362.00
Pioneer Telephone Cooperative, Inc.	200000211	\$	25,343.91
South Central Telephone Association	201200184	\$	113,313.00
Terral Telephone Company	201200183	\$	987,297.00
Totah Communications, Inc.	201900049	\$	171,914.47
Totah Communications, Inc.	201900050	\$	80,199.00
Valliant Telephone Company	201800281	\$	7,527.00
Total		\$	5,169,716.35

Special Universal Service Fund	FY 7/16-6/17	FY 7/17-6/18	FY 7/18-6/19
Schools	6,965,340.78	5,283,662.77	6,422,479.22
Libraries	490,834.93	465,668.11	406,024.92
Healthcare	7,789,206.88	6,109,671.15	4,542,367.07
Total	15,245,382.59	11,859,002.03	11,370,871.21