

Symmetrical Gigabit Exemption Report



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Executive Summary

The 2015 Legislature enacted Senate Bill 611 (SB 611) the relevant portions of which are codified in Oregon Revised Statutes (ORS) 308.677 to 308.681. Among other exemptions, this bill enacted a property tax exemption for companies subject to central assessment, in specific circumstances, including when a company builds, maintains and operates a qualified project in Oregon. The Legislature requires the Public Utility Commission of Oregon (Commission) to perform analyses of qualified project applications and to provide an annual report to the Legislature of each company whose property is granted a tax exemption under ORS 308.677. This report is intended to provide data on any exemptions granted under ORS 308.677 in a given tax year, of which there were none in tax year 2016-2017.

In 2016, the Commission determined three projects are "qualified projects." The determinations were made following application by Comcast Corporation & Subsidiaries (Comcast), Frontier Communications Northwest, Inc. (Frontier) and Google Fiber Oregon, LLC (Google Fiber). On December 22, 2016, the Commission received a letter from the Oregon Department of Revenue (Revenue) confirming that Revenue granted no exemptions for the 2016-2017 tax year. The Commission understands that the legislative reporting requirements under ORS 308.681 assume that at least one exemption would be granted and therefore require the Commission to report on the amount of an exemption and specific details regarding the underlying qualified project. The Commission gathered information concerning the three projects determined to be qualified projects in 2016 before Revenue was able to notify the Commission that it had not granted any exemptions. Therefore, it appears a legislative report may not be required. Nevertheless, the Commission submits this report to address two issues: 1) Confirm that no exemptions were granted for tax year 2016-2017, and 2) Offer the information the Commission has available on the qualified projects it had approved in 2016 to the extent that may be helpful in the coming year, or in the event an exemption is granted in any subsequent year.

The Commission requires all Companies receiving a qualified project determination to report certain information to the Commission by November 1 on an annual basis. Only those companies that offered the qualified service during the reporting period of calendar year 2015, which aligns with the period used for calculation of taxes for the 2016-2017 tax year, were required to submit a detailed report. Only Comcast offered the qualified service during that period. Information the Commission can report on Comcast's qualified project is shown below.

- Comcast Corporation and Subsidiaries provide Broadband Internet Access, Cable Television, and other Telecommunication Services.
- Comcast newly constructed or installed \$67,232,875¹ of real or tangible personal property constituting communication infrastructure in 2015.
- 3. Based upon Comcast's submissions, the Commission concludes that the company's service offering continues to meet the statutory requirements for a qualified project.² Further, at least 75 percent³ of its residential service customers in Oregon had access to "at least approximately one gigabit per second symmetrical service."
- 4. Comcast's qualified service, Gigabit Pro, provides broadband Internet access with speeds of up to two (2) gigabits per second symmetrical by utilizing Comcast's fiber optic distribution network. The customer is served over a fiber-to-the-home connection, consisting of a fiber optic connection between Comcast's fiber distribution network and the customer's residence. Comcast offers this service to customers within all ten counties in its service footprint. As of June 30, 2016, one percent or less of Comcast customers subscribe to the Gigabit Pro service.⁴
- 5. Comcast submitted additional information 1) denial of eligible applications and 2) complaints it received regarding denial of access due to income level. The information indicates zero denials of service and zero complaints. Comcast indicates that it has continued to provide Gigabit Pro to new subscribers after the reporting period concluded for this report.⁵

¹ OAR 860-200-0250(2)

² OAR 860-200-0250 Sections (3), (5), (8) and (9)

³ OAR 860-200-0250(5)

⁴ OAR 860-200-0250(4)

⁵ OAR 860-200-0250 Sections (1), (2), (6), (7), (10-11)

Introduction

The 2015 Legislature enacted Senate Bill 611 (SB 611) codified as relevant here in Oregon Revised Statutes (ORS) 308.677 to 308.681. Among other exemptions, this bill enacted a property tax exemption for a company, subject to central assessment for property tax purposes, in certain circumstances, including if the company builds, maintains and operates a qualified project in Oregon. The Legislature requires the Public Utility Commission of Oregon (Commission) to perform analyses of qualified project applications and to provide an annual report on or before February 1 to the Legislature of each company whose property is granted a tax exemption under ORS 308.677. This report is intended to provide data on any exemptions granted under ORS 308.677 in a given tax year, of which there were none in tax year 2016-2017. To comply with SB 611, the Commission conducted two separate rule makings in the past year to facilitate qualified project application submission, review and reporting.⁶

Background

On March 1, 2016, the Commission determined three projects are "qualified projects." The determinations were made following application by Comcast Corporation & Subsidiaries (Comcast),⁷ Frontier Communications Northwest, Inc. (Frontier),⁸ and Google Fiber Oregon, LLC (Google Fiber).⁹ Comcast was the only applicant to represent it was offering a qualified service under its project at that time. The other two applications concerned planned projects. In making its qualified project determination the Commission applied a four-part test. The full explanation of the Commission's analysis is contained in the Commission's Orders. The applicants chose different paths to meet the symmetrical gigabit test. Comcast submitted information to substantiate the service it offered. Frontier and Google Fiber both proposed conceptual projects, validating their claim of symmetrical gigabit capability by each having an

⁶ OAR 860-200-0005 through 860-200-0250

⁷ Commission Order No. 16-085 (UM 1760), <u>http://apps.puc.state.or.us/orders/2016ords/16-085.pdf</u>.

⁸ Commission Order No. 16-086 (UM 1761), <u>http://apps.puc.state.or.us/orders/2016ords/16-086.pdf</u>.

⁹ Commission Order No. 16-087 (UM 1762), <u>http://apps.puc.state.or.us/orders/2016ords/16-087.pdf</u>.

Oregon registered engineer verify that each respective proposed project would provide the required capability.

Exemption Status

Under SB 611, on or before December 15 of each year, each assessor of a county in which property granted an exemption under ORS 308.677, must report to Revenue the amount of the exemption granted to the property of each company, the amount of property taxes imposed on the property and the amount of property taxes that were not imposed because of the exemption for the current property tax year and an estimate of these amounts for the following property tax year. Revenue is required to compile the county assessor reports and provide a report to the Commission. The impact of the bill's exemption on tax revenues in a given year is identified through this compiled information. On December 22, 2016, the Commission received confirmation from Revenue that no exemption was granted for tax year 2016-2017. The Commission understands that the legislative reporting requirements under ORS 308.681 assume that at least one exemption would be granted and therefore require the Commission to report on the amount of an exemption and specific details regarding the underlying qualified project on or before February 1 of each year.

The Commission gathered information concerning the three projects determined to be qualified projects in 2016 before Revenue was able to notify the Commission that it had not granted any exemptions. Therefore, it appears a legislative report may not be required under SB 611. Nevertheless, the Commission submits this report to address two issues: 1) Confirm that no exemptions were granted for tax year 2016-2017, and 2) Offer the information the Commission has available on the qualified projects it had approved in 2016 to the extent that may be helpful in the coming year, or in the event an exemption is granted in any subsequent year. The Commission does not have independent means to calculate the actual or potential revenue impact of any exemption on tax revenue and relies entirely on Revenue for such determinations.

Qualified Project Company Reporting

The Commission requires all Companies receiving a qualified project determination to report certain information to the Commission by November 1 on an annual basis. Only those companies that offered the qualified service during the reporting period of calendar year 2015, which aligns with the period used for calculation of taxes for the 2016-2017 tax year, were required to submit a detailed report.

On October 31, 2016, Comcast timely filed a report, subsequently amended with the Commission.¹⁰ The report is available online, docketed in the Commission's online filing system as Docket RO 10.¹¹ On November 22, 2016, Commission staff performed the onsite review of Comcast's confidential FCC 477 Broadband report information as required by rule.¹² This onsite review allows for confirmation of a company's subscribership as reported to the Commission.

In the first year following enactment of SB 611, two other companies besides Comcast received a gualified project determination from the Commission: Frontier Northwest and Google Fiber. Unlike Comcast, these companies did not represent that the company was offering a qualified service at the time they applied. Both Companies have since filed annual reports confirming that neither offered a qualified service during calendar year 2015.¹³ Companies who do not offer the qualified service during the reporting period are not required to submit the detailed reports required under the Commission's rules. As a result, only Comcast provide the detailed annual report.

Companies are not required to inform the Commission when they begin offering a qualified service. The Commission is only made aware a company has begun offering the qualified service when the Company files the required report.

 ¹⁰ As required by OAR 860-200-0200(3).
¹¹ <u>http://apps.puc.state.or.us/edockets/docket.asp?DocketID=20454</u>

¹² OAR 860-200-0200(5)

¹³ Required by OAR 860-200-0200(4).

A benefit of the annual reporting will be the year-over-year comparison of broadband speed tiers and other data.

Comcast Qualified Project Information

Comcast's information is arranged in the six categories required or allowed by Statute to be included in the Commission's report.

1. The name and business of the reporting Company.

Comcast Corporation *and* Subsidiaries provides video, high-speed data and phone services in thirty-nine (39) states, including Oregon. Comcast provides communication services in ten Oregon Counties: Benton, Clackamas, Columbia, Lane, Linn, Marion, Multnomah, Polk, Washington and Yamhill. Comcast offers a tier of internet access service delivering download and upload speeds of up to two (2) gigabits per second symmetrical ("Gigabit Pro") in a number of markets in twenty-seven (27) states, including Oregon. Within Oregon, Comcast began offerings Gigabit Pro service in and around Beaverton, Corvallis, Damascus, Eugene, Forest Grove, Gladstone, Gresham, Happy Valley, Hillsboro, Junction City, Lake Oswego, McMinnville, Milwaukie, Oregon City, Portland, Salem, Tigard, West Linn, and Wilsonville prior to December 31, 2015.¹⁴

2. The capital investment made by a company in Oregon in newly constructed or installed real or tangible personal property constituting communication infrastructure.

Comcast made a 2015 calendar year capital investment of 67,232,875 dollars¹⁵ in Oregon comprised of newly constructed or installed real or tangible personal property constituting communication infrastructure that enables Comcast to offer the qualified service. After three

¹⁴ This information is provided in Comcast's, October 31, 2016, cover letter to their report to the Commission. Italics indicate a minor change for presentation purposes.

¹⁵ OAR 860-200-0250(2)

quarters of 2016 operation Comcast estimates 2016 capital investment at 109,585,058 dollars for the same type of communication infrastructure.

3. Whether the company has met the requirements for service capacity and offering service to residential customers.

Comcast's information substantiates its representations that it offers the required service capacity and that it offers the required service to residential customers. A minimum of 75 percent¹⁶ of its residential service customers in Oregon have access to Comcast's Gigabit Pro Service. Comcast offers this service in all ten counties where it has its service footprint. A map showing Comcast's service footprint is provided in Appendix A.

4. Who is served by the communication infrastructure and how they are served.

The Commission assumes for purposes of this report that communication infrastructure refers to facilities that enable the company's communication services that enable the company to offer the qualified service, including Gigabit Pro. Comcast's map shows where it provides its communication services. This helps to describe who is served by the qualified project communication infrastructure.

Residential and business customers are served by Comcast's infrastructure which includes fiber optic and coaxial cable distribution facilities. Customers can receive a variety of services including telephone and broadband internet access service in various tier offerings. The qualified service (Gigabit Pro) is designed to be facilitated by a fiber optic network directly to the residence of customers.¹⁷ One percent or less of Comcast customers subscribe to this service.

¹⁶ OAR 860-200-0250(5)

¹⁷ OAR 860-200-0250(3) The residence must be located with-in reach of order-initiated fiber optic customer connections. These connections would be installed when Gigabit Pro is ordered. Access is understood in terms of how any physical-connection-dependent utility would provide access.

5. The compiled information received from the Department of Revenue received from the Counties where property subject to the exemption is located.

Revenue reported on December 22, 2016 that no company received a tax exemption under ORS 308.677 for the 2016-2017, tax year.

6. Any other information the Commission considers necessary for a thorough analysis of the exemption granted under section 5 of ORS 308.677.

Though no exemption was granted for tax year 2016-2017, the Commission believes that this entire report may be helpful to the Legislature. It also provides publically available information on broadband in the state in the attached appendices. The qualified project information provided herein is offered to establish reference points of pertinent information that may become increasingly relevant in future reports.

Additional Information

Commission staff observes, based on the capacity requirements alone, that other Oregon communication companies might meet statutory requirements for qualified projects.¹⁸ Obviously, the Commission does not have information about these other entities that would facilitate any consideration by the appropriate entity of whether the SB 611 tax exemption would be appropriate. As of the date of preparation of this report the Commission has not received inquiries indicating any entities are considering submitting an application to the Commission for a qualified project.¹⁹

¹⁸ Oregon Broadband Advisory Council, <u>Broadband in Oregon</u>, November 1, 2016, page 14, paragraph 2. <u>http://www.orinfrastructure.org/Infrastructure-</u> Programs/Telecommunications/OBAC/Reports/BroadbandRpt2016.pdf.

¹⁹ The application deadline for qualified project determinations is January 15.

Google Fiber is reportedly²⁰ considering modifying its proposed Fiber to the Home (FTTH) project to use fixed wireless to the home. While wireless technology is advancing it is not yet capable of commercially providing the Gigabit speed symmetrically, a key requirement of SB 611. A change from FTTH to Fixed wireless would be a significant departure from the qualified project approved by the Commission, potentially creating uncertainty to whether Google Fiber would need to submit a new project application to the Commission for a new qualified project determination.

Appendix B shows the speed tier information provided by Comcast, the only Company providing detailed information for calendar year 2015. In future reports the table in Appendix B will be expanded to include annual information that shows the progressive adoption of faster broadband services from each of the reporting companies. This will show how Oregonians are responding to the availability of higher speed broadband internet access services offered by the companies who might receive an exemption.

The FCC prepares an annual report tracking measurements of broadband in the United States. Appendix C provides data comparison from the 2015 and 2016 reports of state broadband download rates and speed tiers. Some states are not included because they did not have a sufficient sample size.

Appendix D is from the third Quarter 2016 Akamai <u>State of the Internet</u> report that shows average state download speeds. Following the link at the bottom of Appendix D opens an interactive map that allows the user to select a comparison based on different broadband tier speeds.

The FCC's <u>Measuring Broadband America 2016</u> report provides a chart comparing internet service provider (ISP) download speeds from 2015 to 2016. This chart is in Appendix E. The 2015 and 2016 data is computed differently but still provides a helpful comparison. Data from both years is from peak megabit per second (Mbps) demand times.

²⁰ Oregon Broadband Advisory Council, Broadband in Oregon, (2016), Page 13. <u>http://www.orinfrastructure.org/Infrastructure-</u> <u>Programs/Telecommunications/OBAC/Reports/BroadbandRpt2016.pdf</u>

To best compare other state broadband access trends to Oregon's, it might be helpful to know how much states invest in promoting and incentivizing faster broadband-infrastructure. That information would enrich the raw data numbers in Appendix C. To that end, Appendices F and G offer some data on what each state does to invest in broadband. The Strategic Networks Group (SNG) provided <u>The 50 States Of Broadband</u> report, a starting point in understanding what other states are doing.

Oregon participated in collecting data for the National Broadband map. The last data set reflected service provider submissions as of June 30, 2014 related to that data collection. Appendix H provides some of that information in a report obtained by filtering data for Oregon and Comcast. This Appendix also provides the full report which gives some demographic information describing who was served by Comcast in its footprint prior to offering Gigabit Pro in 2015. This information also helps to establish 2014 threshold information reference points.

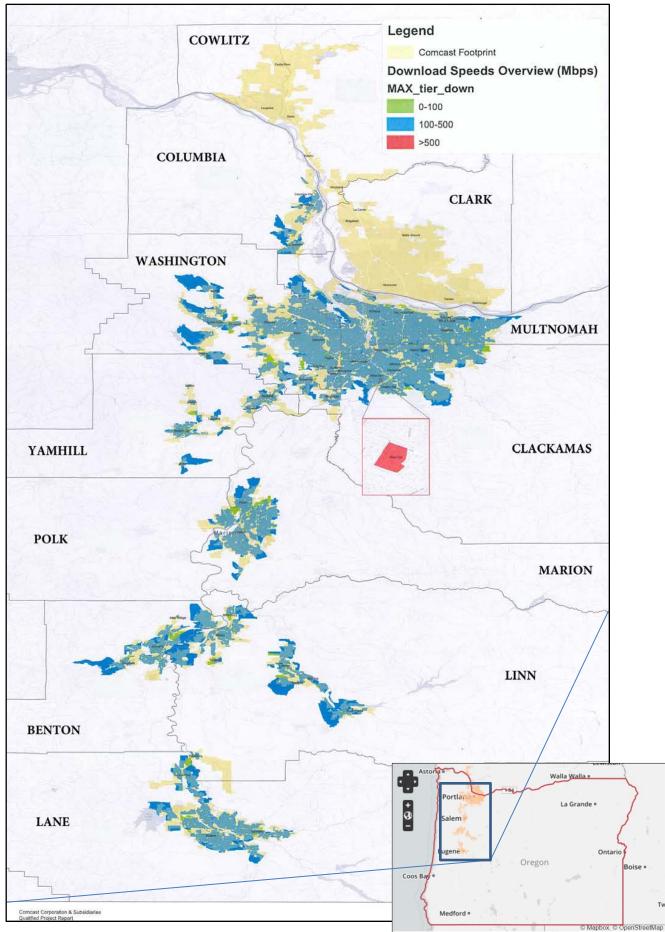
Conclusion

The legislative reporting requirements under ORS 308.681 assume that at least one exemption would be granted in a tax year and require the Commission to report on the amount of an exemption and specific details regarding the underlying qualified project. Revenue has confirmed with the Commission that no exemptions were granted for the 2016-2017 tax year.

The Commission gathered information concerning the three projects determined to be qualified projects in 2016. We set forth above a summary of the information gathered by the Commission. Only one company with a qualified project, Comcast, was required to provide a detailed report regarding its project. That data is reported above to the extent that it may be helpful in the coming year, or in the event a tax exemption is granted in any subsequent year. In addition, we have included some national and statewide data on broadband access trends. The Commission also provides information in the Appendices that it uses in its own evaluations and to memorialize and establish reference points for future reporting.

Appendix A

Comcast Communication Footprint Map



Appendix B Comcast Broadband Speed Tier Information²¹

	2016 Report		
Comcast Broadband Speed Tier Information Chart	Total	Subscribership	
	Subscribership	w/ Access to	
	Speed Tier	Qualified Service	
Description	%	Speed Tier %	
Up to and including 100 Mbps	56%	56%	
Greater than 100Mbps up to and including 500 Mbps	44%	44%	
Greater than 500Mbps	1%	1%	

 $^{^{\}rm 21}$ Information from Comcast's report to the Commission page 12 and page 13 information. http://edocs.puc.state.or.us/efdocs/HAQ/ro10haq153357.pdf. Commission rule requires the percentage information to be rounded to a whole percentage. Totals of percentages may equal more than 100%.

Appendix C

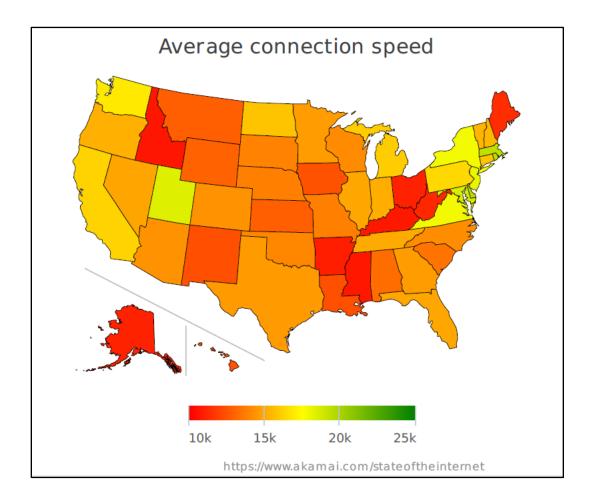
Download Speed Annual Comparison by State²²

		2016			2015		
State	Median Download	Median Tier	Sample Size	Average Download	Average Tier	Sample Size	Median Download Speed
Citato	Speed (Mbps)	Speed (Mbps)	TOTAL	Speed (Mbps)	Speed (Mbps)	TOTAL	Change Year over Year
AL	26.7	25.8	44	30.0	29.3	51	-3.3
AR	20.3	20.3	35	14.2	14.5	39	6.1
AZ	37.3	39.2	125	37.7	40.0	218	-0.4
CA	41.6	40	411	31.3	30.3	489	10.3
CO	45.9	46.3	114	22.8	22.6	117	23.1
СТ	41.9	41.7	66	46.9	44.1	65	-5.0
FL	36.8	37.1	171	26.9	27.9	173	9.9
GA	35	31.6	123	25.3	25.9	155	9.7
IA	33.4	31.8	52	29.3	33.6	172	4.1
IL	42.9	37.5	215	13.9	14.4	29	29.0
IN	35.3	31.1	98	26.0	25.2	185	9.3
KS	24.7	24.1	26	21.5	22.4	88	3.2
KY	21.1	18.9	87	36.8	40.1	33	-15.7
LA	43.4	42.3	37	16.1	17.7	106	27.3
MA	43.2	40.1	107	32.5	31.0	41	10.7
MD	44.6	40.3	64	35.5	32.0	95	9.1
MI	41.9	38.2	174	39.0	36.7	81	2.9
MN	44.8	43.2	102	35.4	33.8	149	9.5
MO	22.3	21.7	61	23.3	23.9	136	-1.0
NC	35.9	32.5	116	38.8	39.6	119	-2.9
NE	29.8	36.3	25	21.4	21.2	190	8.4
NH	43.1	41.4	27	25.1	27.1	49	18.0
NJ	50.3	45.8	134	57.0	52.0	213	-6.7
NM	45.8	49.1	47	21.1	22.0	52	24.7
NV	36.8	35.2	258	35.5	35.3	47	1.3
NY	39.7	36.8	244	41.3	38.7	380	-1.6
OH	21.9	19.6	152	14.2	14.7	224	7.7
OK	25.4	25.2	42	31.8	32.0	62	-6.4
OR	49.1	46.1	77	26.3	26.0	161	22.8
PA	37.1	33.8	124	25.9	24.9	167	11.2
SC	31.1	29.3	54	31.3	30.7	72	-0.2
TN	41.8	38.5	86	26.1	25.8	70	15.7
TX	35	32.9	251	29.6	27.7	203	5.4
UT	51.7	52.2	34	28.5	29.1	40	23.2
VA	43.2	41.1	144	37.1	37.4	210	6.1
WA	48.2	47	147	25.3	24.8	181	22.9
WI	31.3	28.4	118	28.8	28.3	164	2.5

²² Provided from the FCC's 2015 and 2016 <u>Measuring Broadband America</u> report, Tables 5 and 7. <u>https://www.fcc.gov/general/measuring-broadband-america</u>.

Appendix D

U.S. Map Average State Connection Speed

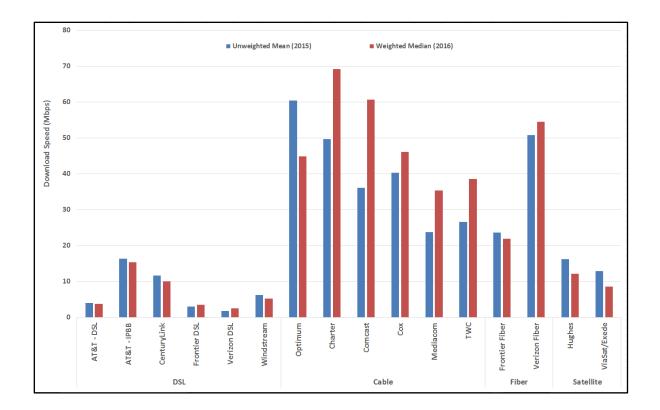


Link to interactive map -

https://www.akamai.com/us/en/our-thinking/state-of-the-internet-report/state-of-the-internetconnectivity-visualization.jsp

Appendix E

Comparison of 2015 (Unweighted) and 2016 (Weighted) Download Speed by ISP



FCC Measuring Broadband America Report – Chart A. 5

This chart provides a comparison of this year's weighted median download speed of each ISP with the previous year's unweighted mean values. The measurements are taken at peak hours in Mbps for all ISPs.

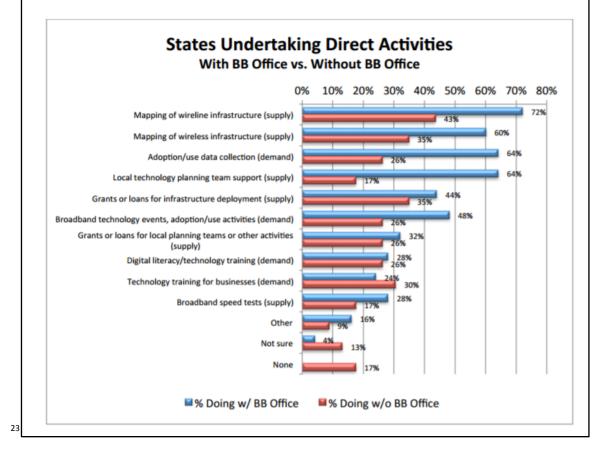
https://www.fcc.gov/reports-research/reports/measuring-broadband-america/charts-measuringbroadband-america-2016#chartA.5

Appendix F

State Activities Used to Encourage Broadband

1.3 State Broadband Activities

SNG expanded its questions to ask if a state broadband office or another entity within was handling specific broadband activities and what was the focal point of those activities. Activities seem to be heavily weighted towards the "supply side" of broadband and include mapping, infrastructure planning, and grants. These activities far surpassed "demand side" undertakings around raising awareness, training, and driving utilization with end-users.

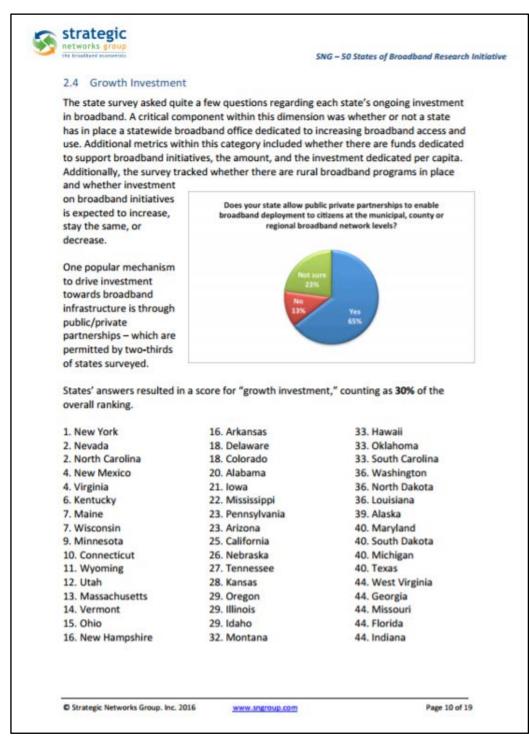


²³ <u>http://www.oregon4biz.com/assets/e-lib/Telecom/StatesBroadband2016.pdf</u>.

Appendix G

Broadband Growth Investments by States

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²⁴ <u>http://www.oregon4biz.com/assets/e-lib/Telecom/StatesBroadband2016.pdf</u>

Appendix H

Pre-2015 National Broadband Map Comcast Oregon Service Information

The attached file provides a snapshot of Comcast service in Oregon based on data submitted by Comcast for the National Broadband map as of June 30, 2014. This may become helpful to establish reference points prior to the 2015 initial reporting year. This file includes some demographic data that may be helpful to Legislators to establish who Comcast served prior to their offering Gigabit Pro service in 2015. Only the maximum advertised speeds are copied from the file below.



About Provider -Comcast Corporation

Maximum Advertised Speed Summary

Description: The column on the left summarizes the percent of the population, for this provider and in this geography, with access to each maximum advertised download and upload speed tier. The percentages on the right-hand column indicate the total percentage of the population with access to these speeds within the geography.

Wireline Download	Percent Population	State
Down >768k Up >200k	58.6%	98%
Down >3M Up >768k	58.6%	97%
Download > 768k	58.6%	98%
Download > 1.5M	58.6%	98%
Download > 3M	58.6%	97%
Download > 6M	58.6%	97%
Download > 10M	58.6%	95%
Download > 25M	58.6%	92%
Download > 50M	58.6%	90%
Download > 100M	58.6%	87%
Download > 1G	0.0%	61%

Wireline Upload	Percent Population	State
Upload > 200k	58.6%	98%
Upload > 768k	58.6%	98%
Upload > 1.5M	58.6%	94%
Upload > 3M	58.6%	93%
Upload > 6M	58.6%	87%
Upload > 10M	58.6%	85%
Upload > 25M	0.0%	67%
Upload > 50M	0.0%	64%
Upload > 100M	0.0%	62%
Upload > 1G	0.0%	60%

Parts of this graphic are unavailable since this provider offers broadband service to less than 0.1% of people in this geography.