

# Symmetrical Gigabit Exemption Report

Report to the 2019 Oregon Legislature

February 2019



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## Executive Summary

Oregon Revised Statutes (ORS) 308.677 to 308.681 contain 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 of each company whose property is granted a tax exemption under ORS 308.677. This report is intended to provide data on exemptions granted under ORS 308.677 in a given tax year, of which there was one in tax year 2018-2019.

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 17, 2018, the Commission received a letter from the Oregon Department of Revenue (Revenue) confirming that Revenue granted one exemption for the 2018-2019 tax year, to Frontier. To date, no exemptions have been granted for any previous tax year. Each November, the Commission gathers information concerning projects the Commission has determined to be qualified projects.

The Commission requires all Companies receiving a qualified project determination to report certain information to the Commission. Each company that received a qualified project determination filed a report in 2018. Only one company, Frontier, reported that it offered the qualified service during the reporting period of calendar year 2017, and was required to submit a detailed report. Based on the information reported by Revenue and by Frontier, the Commission provides the following information:

1. Frontier, at all relevant times, provided Broadband Internet Access, Cable Television, and other Telecommunication Services.
2. Frontier newly constructed or installed \$1,157,100<sup>1</sup> of real or tangible personal property constituting communication infrastructure in 2017. Based upon the submission, the

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<sup>1</sup> OAR 860-200-0250(2).

Commission concludes that Frontier’s service offerings continue to meet the statutory requirements service capacity and offering service to residential customers.<sup>2</sup> Further, at least 51 percent<sup>3</sup> of Frontier’s residential service customers in Oregon had access to “at least approximately one gigabit per second symmetrical service.”

3. Frontier provides the qualified service using broadband Internet access with speeds of up to one (1) gigabit per second symmetrical by utilizing a fiber optic distribution network. The customer is served over a fiber-to-the-home connection, consisting of a fiber optic connection between the company’s fiber distribution network and the customer’s residence. Frontier offers this service to customers within four counties in its service footprint; Clackamas, Multnomah, Washington and Yamhill. As of June 30, 2018, Frontier provided the qualified service to at least one customer but not more than one percent or less of residential customers subscribed to Frontier’s Simply FIOS One Gigabit Service.<sup>4</sup>

4. Revenue reported on December 17, 2018 that Frontier received a tax exemption under ORS 308.677 for the 2018-2019, property tax year. The compiled information required to be reported under ORS 308.681(2)(b)(D) is:

2018-2019 Amount of exemption granted to the property:	\$158,819,568.00
2018-2019 Amount of property tax imposed:	\$4,030,687.70
2018-2019 Amount of property tax not imposed:	\$2,571,323.95
2019-2020 Amount of estimated <sup>5</sup> property tax to be imposed:	\$4,111,301.46
2019-2020 Amount of estimated <sup>5</sup> property tax not imposed:	\$2,622,750.43

5. Frontier submitted additional information indicating, for calendar year 2017, a zero percent denial of service to households to whom Frontier offer qualified service and zero complaints regarding denial of access due to income level.<sup>6</sup>

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<sup>2</sup> ORS 308.681(2)(b)(B); OAR 860-200-0250 (3), (5), (8) and (9).

<sup>3</sup> ORS 308.681(2)(b)(B); OAR 860-200-0250(5).

<sup>4</sup> ORS 308.681(2)(b)(C); OAR 860-200-0250(4)

<sup>5</sup> Estimates based on two percent increase from previous year.

<sup>6</sup> ORS 308.681(2)(c); OAR 860-200-0250(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 was one in tax year 2018-2019 and none in any previous tax year.

## Background

On March 1, 2016, the Commission determined three projects are “qualified projects.” The determinations were made following application by Comcast Corporation & Subsidiaries (Comcast),<sup>7</sup> Frontier Communications Northwest, Inc. (Frontier),<sup>8</sup> and Google Fiber Oregon, LLC (Google Fiber).<sup>9</sup> 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.

## 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 the Oregon Department of Revenue (Revenue) the amount of the exemption granted to the property of each company,

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

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

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

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 17, 2018, the Commission received confirmation from Revenue that one exemption was granted for tax year 2018-2019.

## 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 companies that offered the qualified service during the reporting period of calendar year 2017, which aligns with the period used for calculation of taxes for the 2018-2019 tax year, were required to submit a detailed report.

On October 31, 2018, Frontier timely filed a detailed report with the Commission.<sup>10</sup> Comcast filed its affidavit on October 26, 2018 indicating it is not claiming to provide the qualified service during calendar year 2017 for the purpose of obtaining the property tax exemption. Google Fiber submitted an affidavit indicating it did not offer the qualified service in Oregon during calendar year 2017. These reports are available online, docketed in the Commission's online filing system as Docket No. RO 10.<sup>11</sup> Commission staff reviewed Frontier's most recent confidential Federal Communications Commission (FCC) Form 477 Broadband report information. This review allows for confirmation of a company's subscribership to facilitate this Legislative Report.<sup>12</sup>

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<sup>10</sup> As required by OAR 860-200-0200(3).

<sup>11</sup> Available at: <http://apps.puc.state.or.us/edockets/docket.asp?DocketID=20454>.

<sup>12</sup> OAR 860-200-0200(5).

## Frontier Qualified Project Information

Frontier reported the following information:

1. The name and business of the reporting Company.

Frontier provides video, high-speed data and phone services in a number of states, including Oregon. Frontier provides communication services in twelve Oregon Counties: Clackamas, Columbia, Coos, Curry, Douglas, Josephine, Marion, Multnomah, Wallowa, Washington, Union and Yamhill. Frontier offers a tier of internet access service delivering download and upload speeds of up to one (1) gigabit per second symmetrical (“Simply FiOS One Gigabit”) in a number of markets in twenty nine (29) states, including Oregon. Within Oregon, Frontier offers Simply FiOS One Gigabit service in parts of Clackamas, Multnomah, Washington, and Yamhill Counties, in December 2017.

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

Frontier made a 2017 calendar year capital investment in Oregon of 1,157,100 dollars,<sup>13</sup> comprised of newly constructed or installed real or tangible personal property constituting communication infrastructure that enables Frontier to offer the qualified service.

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

Frontier’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 51 percent<sup>14</sup> of its residential service customers in Oregon have access to Frontier’s Simply

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<sup>13</sup> ORS 308.681(2)(b)(A); OAR 860-200-0250(2).

<sup>14</sup> ORS 308.681(2)(b)(B); OAR 860-200-0250(5).



FiOS One Gigabit Service. Frontier offers this service in four of the twelve counties where it has its service footprint. A map showing Frontier’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, a key term used in the statute, refers to facilities that enable the company’s communication services that enable the company to offer the qualified service, including Simply FiOS One Gigabit.

Frontier’s Appendix-A 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 Frontier’s infrastructure which includes fiber optic distribution facilities. Customers can receive a variety of services including telephone, video and broadband internet access service in various tier offerings. The qualified service (Simply FiOS One Gigabit) is designed to be facilitated by a fiber optic network directly to the residence of customers. Frontier’s qualified service had at least one customer and not more than one percent or less of Frontier customers subscribe to this service in calendar year 2017.

5. The compiled information received from the Department of Revenue received from the Counties where property subject to the exemption is located<sup>15</sup>.

Revenue reported on December 17, 2018 that Frontier alone of the three original Commission qualified projects received a tax exemption under ORS 308.677 for the 2018-2019, tax year.

The compiled information required to be reported by ORS 308.681(2)(b)(D) is:

2018-2019 Amount of exemption granted to the property:	\$158,819,568.00
2018-2019 Amount of property tax imposed:	\$4,030,687.70
2018-2019 Amount of property tax not imposed:	\$2,571,323.95
2019-2020 Amount of estimated <sup>16</sup> property tax to be imposed:	\$4,111,301.46
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<sup>15</sup> Confidentiality of public records relating to this information is waived by ORS 308.681(1)(a).

<sup>16</sup> Estimates based on two percent increase from previous year.

## Additional Information

This report may include any other information the Commission considers necessary for a thorough analysis of the exemption granted under section 5 of ORS 308.677. Frontier submitted additional information indicating, for calendar year 2017, a zero percent denial of service to households to whom Frontier offers qualified service and zero complaints regarding denial of access due to income level.<sup>17</sup>

Commission staff observes, based on the capacity requirements alone, that other Oregon communication companies might meet statutory requirements for qualified projects.<sup>18</sup>

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.<sup>19</sup>

Appendix B shows the speed tier information provided by Frontier. The table in Appendix B includes annual information that shows the adoption of faster broadband services from each of the reporting companies. This shows how Oregonians are responding to the availability of higher speed broadband internet access services offered by the companies that have received a qualified project determination and have submitted a detailed report. While Google Fiber received a qualified project qualification it has not yet indicated that it offers a qualified project in Oregon and consequently has not submitted a detailed report.

To best compare other state broadband access trends to Oregon's experience, it might be helpful to know how much other states invest in promoting and incentivizing faster broadband-infrastructure. To that end, Appendices C and D offer some data on what each state does to

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<sup>17</sup> ORS 308.681(2)(c); OAR 860-200-0250(1), (2), (6), (7), (10-11).

<sup>18</sup> Oregon Broadband Advisory Council, [Broadband in Oregon](http://www.orinfrastructure.org/Infrastructure-Programs/Telecommunications/OBAC/Reports/BroadbandRpt2018.pdf), November 1, 2018, <http://www.orinfrastructure.org/Infrastructure-Programs/Telecommunications/OBAC/Reports/BroadbandRpt2018.pdf> (Search for gigabit to see several entities who offer gigabit speeds.)

<sup>19</sup> The application deadline for qualified project determinations is January 15.

invest in broadband. The Strategic Networks Group (SNG) provided [The 50 States of Broadband](#) 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 E provides some of that information in a report obtained by filtering data for Frontier in Oregon. This Appendix also provides the full report which gives some demographic information describing who was served by Frontier in their service footprint prior to offering Gigabit Pro in 2015 and 2016 respectively. This information is important to establish 2014 pre SB 611 threshold information reference points which is helpful to compare to successive annual data the Commission requires to be provided for this report.

Since several entities no longer provide the data used in two previous Legislative reports Commission staff removed those Appendices from this report.

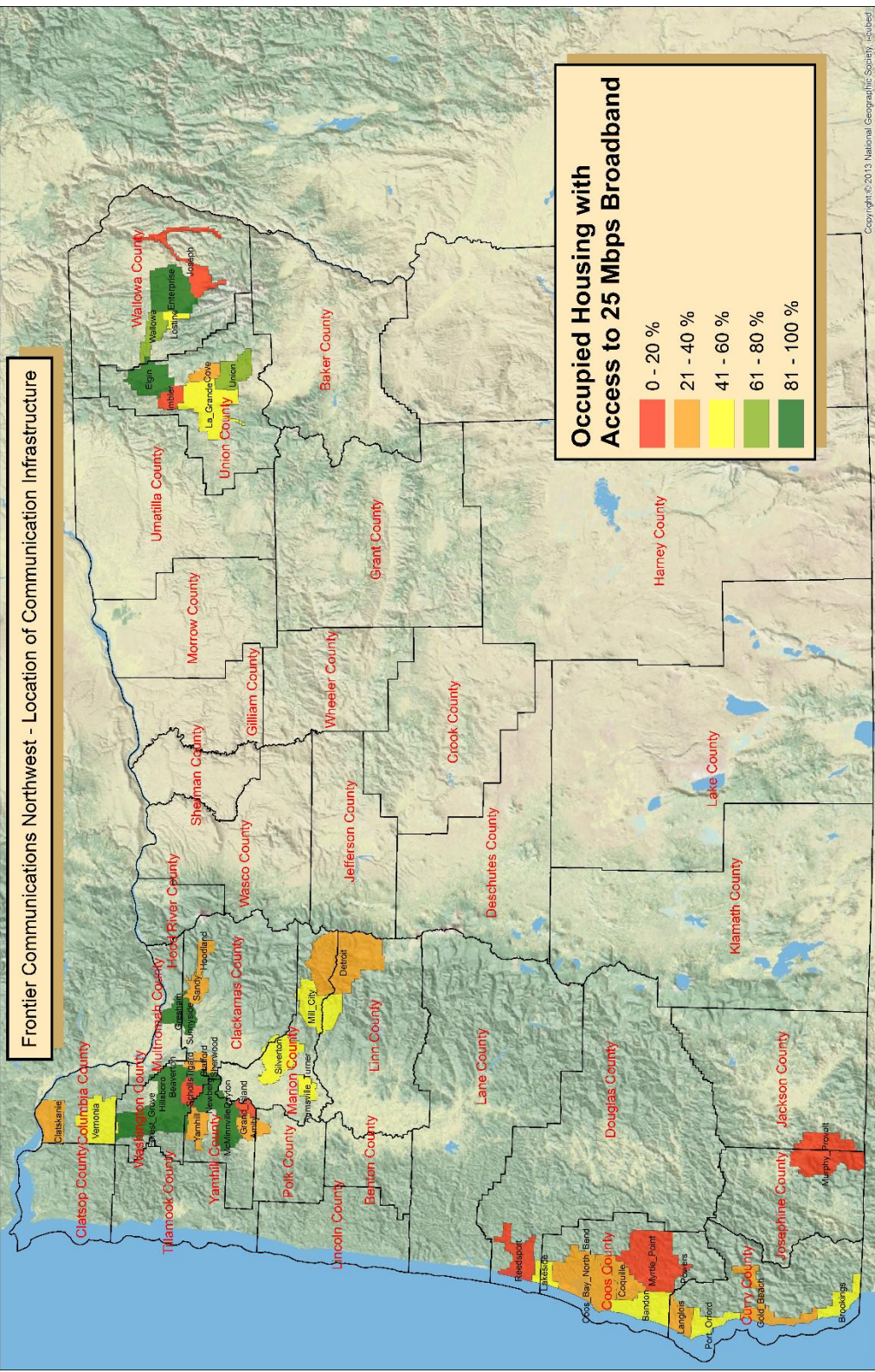
## Conclusion

One company, Frontier, offered a qualified project and received Revenue's confirmation of a property tax exemption for the 2018-2019 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. One company with a qualified project, Frontier, provided a detailed report regarding their project. 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. Finally, the Commission provides some additional information that may be of interest to the Legislature including a link in footnote 18 to the Oregon Broadband Advisory Council 2018 Report, [Broadband in Oregon](#).

**Appendix A**  
**Frontier Footprint Map**

Frontier Communications Northwest - Location of Communication Infrastructure



**Occupied Housing with Access to 25 Mbps Broadband**

0 - 20 %
21 - 40 %
41 - 60 %
61 - 80 %
81 - 100 %

## Appendix B

### Broadband Speed Tier Information<sup>20</sup>

Broadband Speed Tier Information Chart	As of June 30, 2016		As of June 30, 2017				As of June 30, 2018	
	Comcast		Comcast		Frontier		Frontier	
Description	Percent of Total Subscribership	Percent Subscribership w/ Access to Qualified Service	Percent of Total Subscribership	Percent Subscribership w/ Access to Qualified Service	Percent of Total Subscribership	Percent Subscribership w/ Access to Qualified Service	Percent of Total Subscribership	Percent Subscribership w/ Access to Qualified Service
Up to and including 100 Mbps	56%	56%	59%	60%	100%	63%	97%	94%
Greater than 100Mbps up to and including 500 Mbps	44%	44%	41%	41%	1%	29%	4%	6%
Greater than 500Mbps	1%	1%	1%	1%	1%	8%	1%	1%

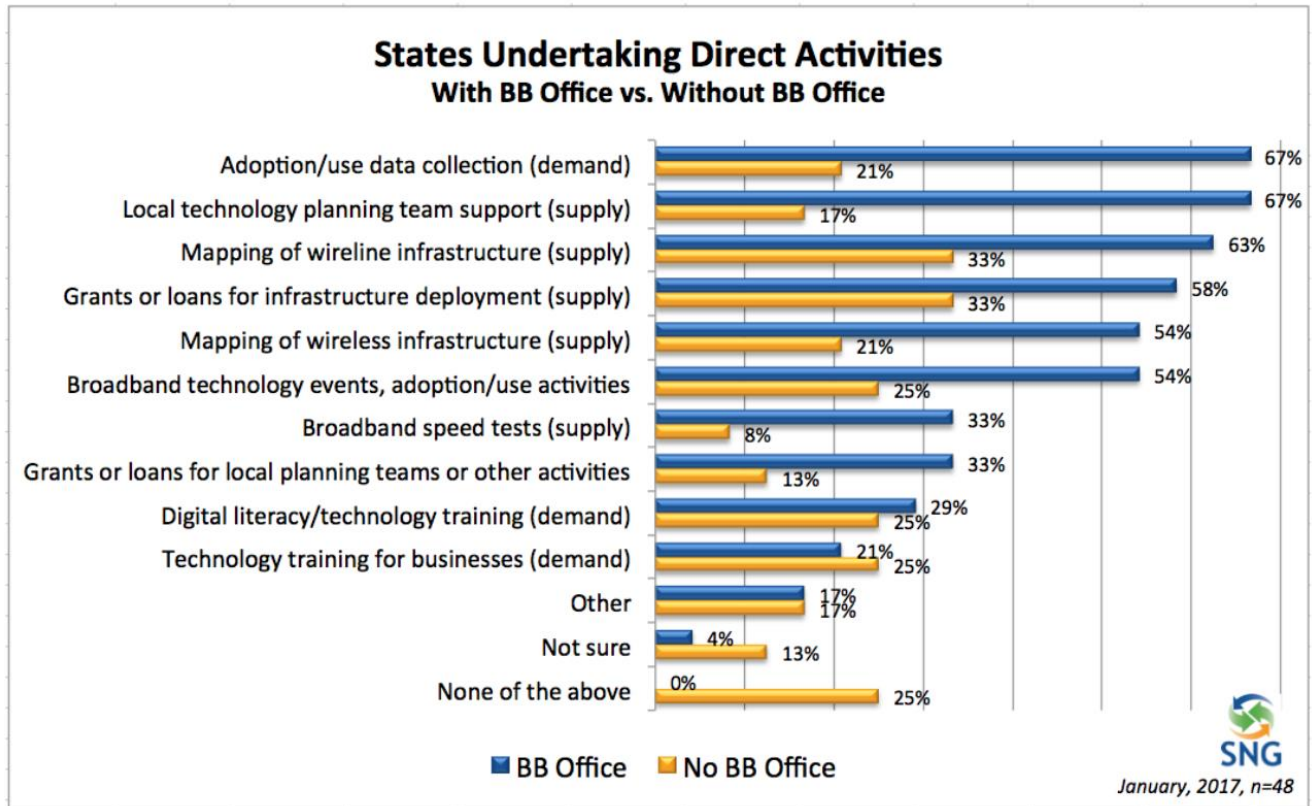
By rule the speed tier subscribership is rounded up to a whole percent so percentages may add up to more than 100%.

<sup>20</sup> Information is from both Comcast's and Frontier's reports to the Commission. Frontier reported that it did not offer the qualified project in 2015 consequently there is no Frontier information as of June 30, 2016. Comcast reported that it does not claim to offer the qualified project in 2017. Commission rule requires the percentage information to be rounded to a whole percentage consequently totals of percentages may equal more than 100 percent. Commission staff verified that Frontier had qualified service customers by reviewing confidential FCC filings for Frontier as of June 30, 2018. Consistent with rule the lowest indicated percentage would be one percent. Reports are available for review online by accessing Commission e-dockets, Docket No. RO 10 at the following link; <http://apps.puc.state.or.us/edockets/docket.asp?DocketID=20454>.

## Appendix C

### State Activities Used to Encourage Broadband

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<sup>21</sup> <http://sngroup.com/50states/> To obtain the full report use this link and then Download the report.

# Appendix D

## Broadband Growth Investments by States



SNG – 50 States of Broadband, February 2017 Update

### 2.4 Growth Investment

The survey looked into ongoing investment in broadband, a critical dimension. Often a sign of investment is whether or not a state has in place a statewide broadband office dedicated to increasing broadband access and use. Additional metrics within this category included whether there are funds dedicated to support broadband initiatives, the amount, and the investment dedicated per capita.

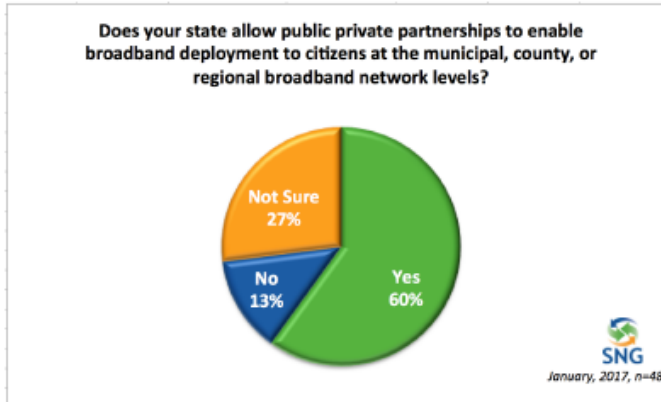
Additionally, the survey tracked whether there are rural broadband programs in place and whether investment on broadband initiatives is expected to increase, stay the same, or decrease.

One popular mechanism to drive investment towards broadband infrastructure is through public/private partnerships – which are permitted by 27% of states surveyed.

Tennessee’s investments are down due large investments in 2016, but \$45 million is pending that should significantly impact future ranking. Pennsylvania is down as there is no longer a broadband office after grants expired this past summer.

States’ answers resulted in a score for “growth investment,” counting as 30% of the overall ranking. Wisconsin and Alabama are the two states in the top 20 that saw the largest rise in investment since last year

1) Wisconsin (+6)	17) Colorado (+1)	32) Oklahoma (+1)
2) New York (-1)	17) Delaware (+1)	32) South Carolina (+1)
3) North Carolina (-1)	19) New Hampshire (-3)	32) South Dakota (+8)
4) Nevada (-2)	20) California (+5)	36) North Dakota
4) New Mexico	20) Nebraska (+6)	37) Alaska (+2)
4) Virginia	22) Mississippi	38) Maryland (+2)
7) Kentucky (-1)	23) Oregon (+6)	38) Michigan (+2)
7) Maine	24) Arizona (-1)	38) Rhode Island
9) Minnesota	24) Iowa (-3)	38) Tennessee (-11)
10) Wyoming (+1)	26) Kansas (+2)	38) Texas (+2)
11) Connecticut (-1)	26) Washington (+10)	43) Florida (+1)
12) Massachusetts (+1)	28) Idaho (+1)	43) Georgia (+1)
13) Vermont (+1)	28) Illinois (+1)	43) Indiana (+1)
14) Ohio (+1)	28) Missouri (+16)	43) Louisiana (-7)
15) Alabama (+5)	31) Montana (+1)	43) Pennsylvania (-20)
15) Arkansas (+1)	32) Hawaii (+1)	43) West Virginia (+1)





# Appendix E

## Baseline Broadband Information – Frontier



About Provider -  
Frontier Communica

For full report information double click on the embedded National Broadband Map.

### 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	30.2%	98%
Down >3M Up >768k	30.2%	97%
Download > 768k	30.2%	98%
Download > 1.5M	30.2%	98%
Download > 3M	30.2%	97%
Download > 6M	28.7%	97%
Download > 10M	23.6%	95%
Download > 25M	18.7%	92%
Download > 50M	18.7%	90%
Download > 100M	0.0%	87%
Download > 1G	0.0%	61%

Source - API Call

Wireline Upload	Percent Population	State
Upload > 200k	30.2%	98%
Upload > 768k	30.2%	98%
Upload > 1.5M	23.6%	94%
Upload > 3M	22.4%	93%
Upload > 6M	18.7%	87%
Upload > 10M	18.7%	85%
Upload > 25M	0.0%	67%
Upload > 50M	0.0%	64%

Source -

This is baseline information to compare with the more current information found in Exhibit B. This first version of the National Broadband Map information was current as of June 30, 2014.