

November 16, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place E. Suite 350
St. Paul, MN 55101-2147

RE: **Petition of Garden Valley Telephone Company as an Eligible Telecommunications Carrier (ETC)**
Docket No: P409/AM-18-607

Dear Mr. Wolf:

Attached are comments of the Department of Commerce concerning the Petition of Garden Valley Telephone Company (Garden Valley) for Designation as an Eligible Telecommunications Carrier (ETC). This petition is in response to Garden Valley's winning bid in the Connect America Fund Auction (CAF II).

The petition was filed on September 25, 2018 by:
Tim Brinkman
General Manager
Garden Valley Telephone Company
201 Ross Avenue
Erskine, MN 56535

The Department recommends that the Commission grant Garden Valley ETC status for high cost support in the designated census blocks listed in Exhibit 1.

Sincerely,
/s/ JOY GULLIKSON
Rate Analyst

JG/jl
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Petition of Garden Valley Telephone Company for Designation as an Eligible Telecommunications Carrier (ETC)

Docket No: P409/AM-18-607

I. ISSUE

Whether the Minnesota Public Utilities Commission (Commission) should grant the petition of Garden Valley Telephone Company (Garden Valley) for high cost support ETC status in the census blocks for which Garden Valley will receive Connect America Funds II (CAFII) funding.

II. PROCEDURAL HISTORY

As an incumbent local service provider, Garden Valley became an ETC eligible to receive universal service support on July 28, 1997, in the exchange service areas in which it is the incumbent.¹ Under Docket No. P409/SA-17-175, Garden Valley received CLEC authority in the exchanges of Mahnommen and Thief River Falls. Under Docket No. P409/M-17-837, Garden Valley received ETC status for Lifeline only in its two CLEC exchanges. Garden Valley's service areas are show in Exhibit 1.

By public notice from the FCC on August 28, 2018, Garden Valley was named as a winning bidder in the CAF II auction, to receive \$880,346 and serving 95 locations. The CAF II award is given in monthly installments for 10 years (about \$77.22 per location per month for Garden Valley), as long as Garden Valley meets certain build out requirements. The 95 locations are in the census block within the Mahnommen and Thief River Falls. The applicable census blocks are listed in Exhibit 1.

In order to receive the CAF II support, Garden Valley, along with all other recipients, must certify to the FCC and USAC that it has received designation as an ETC eligible for high cost funding no later than February 25, 2019.

Additional requirements for CAF II support recipients include:

- Offer commercially at least one voice and one broadband service meeting the relevant service requirements to the required number of locations in the following timeframe:
 - 40% of the required number of locations in a state by the end of third year of support
 - An additional 20% in each subsequent year

¹ Minn. Rules 7812.1400, subp.1.

- 100% by the end of the sixth year of support
- The exact deployment schedule is determined by the carriers themselves, not the FCC.
- File with USAC annual reports and build-out milestone certifications, as well as data on the locations where service is available. Failure to meet the terms and conditions of support can result in increased reporting obligations and possible withholding and/or recovery of support.
- Offer at least one broadband and voice service at rates that are reasonably comparable to the rates for similar service in urban areas. The FCC uses its annual Urban Rate Survey to determine the range of rates that are reasonably comparable².

The FCC named fifteen companies as CAF II winners for Minnesota locations. They are:

Company	Amount (\$)	Locations	Amount (\$) /Location	Amount (\$) /Location/10 years/month
Broadband Corporation	428,117	128	3,344.66	27.87
Consolidated Telephone	934,933.80	358	2,611.55	21.76
Farmers Mutual	348,991.60	163	2,141.05	17.84
Federated Coop	1,431,038.80	808	1,771.09	14.76
Garden Valley	880,346	95	9,266.80	77.22
Halstad Telephone	19,635.20	7	2,805.03	23.38
Interstate Telephone	552,329.60	209	2,642.73	22.02
Jaguar	510,587.60	672	759.80	6.33
Johnson Telephone	81,272.50	47	1,729.20	14.41
LTD Broadband	1,104,440.80	840	1,314.81	10.96
Midcontinent	27,977,283.80	7410	3,775.61	31.46
Paul Bunyan	1,313,542.60	315	4,169.98	34.75
Roseau Electric	2,081,769.70	326	6,385.80	53.22
West Central Telephone	611,934.40	532	1,150.25	9.59
Wikstrom	532,556.80	56	9,509.94	79.25
TOTALS	38,808,780.20	11,966	53,378.30	
<i>AVERAGES</i>	<i>2,587,252.01</i>	<i>798</i>	<i>3,558.55</i>	29.65

² From <https://www.fcc.gov/auction/903>.

III. LEGAL STANDARDS

The Code of Federal Regulations Part 54 governs the federal requirements for common carriers becoming ETCs. Federal Communications Commission (FCC) orders have adjusted some of these regulations over the years. Most of the adjustments have been to reduce reporting requirements. Parts relevant to this petition include:

§ 54.101 (b) requires “an eligible telecommunications carrier must offer voice telephony as set forth in paragraph (a) of this section in order to receive federal universal service support.” Part (a) requires voice grade access to the public switched network or its functional equivalent must be provided.

§ 54.201 states in parts (d), (e), and (h): “A common carrier designated as an ETC under this section shall be eligible to receive universal service support in accordance with section 254 of the Act and shall, throughout the service area for which the designation is received:

- (1) Offer the services that are supported by federal universal service support mechanisms under subpart B of this part and section 254(c) of the Act, either using its own facilities or a combination of its own facilities and resale of another carrier’s services (including the services offered by another eligible telecommunications carrier); and
- (2) Advertise the availability of such services and the charges therefore using media of general distribution.

(e) For the purposes of this section, the term facilities means any physical components of the telecommunications network that are used in the transmission or routing of the services that are designated for support pursuant to subpart B of this part. (f) For the purposes of this section, the term “own facilities” includes, but is not limited to, facilities obtained as unbundled network elements pursuant to part 51 of this chapter, provided that such facilities meet the definition of the term “facilities” under this subpart.

(h) A state commission shall not designate a common carrier as an eligible telecommunications carrier for purposes of receiving support only under subpart E [Lifeline] of this part unless the carrier seeking such designation has demonstrated that it is financially and technically capable of providing the supported Lifeline service in compliance with subpart E of this part

§ 54.203 states in part: “If no common carrier will provide the services that are supported by federal universal service support mechanisms under section 254(c) of the Act and subpart B of this part to an unserved community or any portion thereof

that requests such service, the Commission, with respect to interstate services, or a state commission, with respect to intrastate services, shall determine which common carrier or carriers are best able to provide such service to the requesting unserved community or portion thereof and shall order such carrier or carriers to provide such service for that unserved community or portion thereof.”

Minnesota Rules 7811.1400 and 7812.1400, subp. 13 state: “The commission may order an LSP to provide the services that are supported by a federal universal service support mechanism to an otherwise unserved area only as provided in section 102(a) of the act and consistent with Minnesota Statutes, sections 237.081 and 237.16.”

Minn. Rule 7812.0600 subp. 4 and 7811.0600, subp. 4 state: “An LSP designated an ETC by the commission must provide local service, including, if necessary, facilities-based service, to all requesting customers within the carrier's service area on a nondiscriminatory basis, regardless of a customer's proximity to the carrier's facilities. An LSP may assess special construction charges approved by the commission if existing facilities are not available to serve the customer.”

Also, in Docket P999/M-05-1169, *Order Adopting FCC Requirements for Designating Eligible Telecommunications Carriers, As Modified*, the Commission ordered:

“After the date of this Order, petitioners to the Commission to be designated an eligible telecommunications carrier under 47 U.S.C. 214(e)(2) must

- (1) (A) Commit to provide service throughout its proposed designated service area to all customers making a reasonable request for service. Each applicant shall certify that it (1) provide service on a timely basis to requesting customers within the applicant's service area where the applicant's network already passes the potential customer's premises; and (2) provide service within a reasonable period of time, if the potential customer is with the applicant's licensed service area but outside its existing network coverage, if service can be provided at reasonable cost by (a) modifying or replacing the requesting customer's equipment; (b) deploying a roof-mounted antenna or other equipment; (c) adjusting the nearest cell tower; (d) adjusting network or customer facilities; (e) reselling services from another carrier's facilities to provide service; or (f) employing, leasing or constructing an additional cell site, cell extender, repeater, or other similar equipment”

In setting the requirements for this round of auction to receive the CAF II funding, the FCC required:

“Each Connect America Fund support recipient must offer voice as a standalone service, but may separately bundle its broadband offerings with a voice service.”³ Congress, in 47 USC § 214 (e), requires as a precondition to assessing FCC high cost or Lifeline support subsidies, that providers be designated Eligible Telecommunication Carriers by a state commission. Telecommunications carriers are defined by 47 USC § 153 (51) as “any provider of telecommunications services [and a] telecommunications carrier shall be treated as a common carrier . . . only to the extent that it is engaged in telecommunications services.”

The regulatory status of VOIP service is currently in litigation. The Minnesota Commission found that fixed⁴ VOIP services are subject to applicable consumer protections for telecommunications service under Minnesota statutes, as there has been no federal preemption of the Commission’s authority.⁵ Although the FCC has not classified fixed or over-the-top VoIP as being either an information service or a telecommunications service, in a 2-1 split decision, the Eighth Circuit Court of Appeals found that all VoIP service is an information service.⁶ The Minnesota Commission has requested an en banc rehearing of the Eighth Circuit decision. It is the understanding of the Department that the Eighth Circuit’s decision is not effective until they rule on the request for rehearing en banc, or during the pendency of the request if they grant it.

IV. ANALYSIS

Garden Valley received ETC for Lifeline only status in its CLEC exchanges under Docket No. P 409/M-17-837. In this application, Garden Valley requests ETC for high cost in the census blocks it will receive CAF II funds. All census blocks are in Garden Valley’s two CLEC exchanges of Thief River Falls and Mahnommen. The census blocks that are the subject of the CAF II awards are listed in Exhibit 1.

The Commission found Garden Valley's petition in Docket No. P409/M-17-837 to be appropriate to grant ETC status for Lifeline only. Of particular note:

1. Facilities and Commitment to Serve - Garden Valley stated that it will provide broadband and voice telephone over its fiber-optic facilities. Garden Valley certified that it will:

³ USF/ICC Transformation Order, 26 FCC Rcd at 17693, para. 80.

⁴ The term “fixed” represents those services at a stationary location, as opposed to “over-the-top” or “bring your own broadband” VoIP services that may be used from any location that the customer has access to the internet. Over-the-top VoIP is also referred to as “nomadic VoIP.”

⁵ See. *In the Matter of the Complaint of the Minnesota Department of Commerce Against the Charter Affiliates Regarding Transfer of Customers*, Order Finding Jurisdiction and Requiring Compliance Filing, Docket No. P6716,5615/C-14-383. July 28, 2015.

⁶ *Opinion*, 2018 WL 4260322 (8th Cir September 7, 2018)

- (a) provide service on a timely basis to requesting customers within the service area where Garden Valley’s network already passes the potential customer's premises; and
- (b) provide service within a reasonable period of time, if the potential customer is within the service area but not passed by Garden Valley’s current network facilities, if service can be provided at reasonable cost by constructing network facilities.

2. Garden Valley's Basic Universal Service Offering - Garden Valley agreed to provide voice telephony in the service area at rates that are reasonably comparable to the rates for similar service in urban areas. The chart below compares the rates of Garden Valley with the incumbent telephone company’s rates. The services Garden Valley offers meet the Basic Local Service requirements under Minn. Rule 7812.0600 and under 47 CFR § 54.101(a).

Service	CTL QC		GVTC	
	MRC	EAS	MRC	EAS
Residence Mahnomen Thief River Falls	\$15.96	\$0.28 \$0.62	\$20.00	N/A
Business Mahnomen Thief River Falls	\$34.61	\$0.69 \$1.42	\$20.00	N/A

3. Garden Valley's Advertising Plan - Garden Valley stated that it currently meets and will meet the advertising requirements through several different channels of general distribution, including newspaper and direct mail. Garden Valley plans to advertise the availability of its Lifeline universal service offering throughout the service area through the same advertising channels it currently employs. In addition, the availability of the offering throughout the service area will be listed continuously on Garden Valley's web site: www.GardenValley.net. The service offering will also be published at least annually in the local newspaper, and will be posted at the Garden Valley office in Erskine, MN.
4. Garden Valley’s Ability to Remain Functional in Emergency Situations - Garden Valley stated that its network can and will remain functional in emergencies. The central office serving Garden Valley’s customers is equipped with battery power supply and electrical generators to provide service in the event of a commercial power outage. The interoffice facilities serving the service area are on a diverse routed fiber optic ring, which if cut will be automatically rerouted. Garden Valley complies with the Commission's Rules in Chapter 7810 establishing minimum standards on various operational matters, such as 7810.3900 (Emergency Operations); 7810.4900 (Adequacy of Service); and 7810.5300 (Dial Service Requirements).

5. Garden Valley's Satisfaction of Consumer Protection and Service Quality Standards – Garden Valley is subject to, and complies with, the Commission's Rules pertaining to service quality and consumer protection. Garden Valley's tariff has specific provisions outlining the following terms addressing consumer protection issues:
 - Deposit and guarantee requirements
 - Customer billing
 - Appropriate handling of customer complaints and billing disputes
 - Disconnection and notice requirements

6. Requirement to provide telecommunications services. Congress, in 47 U.S.C. § 214 (e), required as a precondition to accessing FCC high cost or consumer specific "lifeline" support subsidies, that providers be designated "Eligible Telecommunications Carriers" (ETCs) by a State commission.⁷ As explained by the National Association of Regulatory Utility Commissioners (NARUC) and the National Association of State Utility Consumer Advocates (NASUCA) in their September 28, 2108 Amicus Brief to the United States Court of Appeals for the Eighth Circuit, "State commissions across the country have certified numerous ETCs based on their provision of I-VoIP as a telecommunications service. Neither the FCC nor any State Commission can ignore the Congressional restrictions and certify carriers that only provide information services."⁸ To do otherwise would be defrauding the USF fund. Thus, in order to be granted ETC status, Garden Valley must offer a stand-alone voice telecommunications service. The ETC petitions filed as a result of the CAF II auction, including the petition by Garden Valley, are likely to use IP technology for the voice service offering. As stated earlier, the Minnesota Commission has requested an en banc rehearing of the Eighth Circuit decision and it is the understanding of the Department of Commerce that the Eighth Circuit's decision is not effective until it rules on the request for rehearing en banc, or during the pendency of the request if they grant it. Thus, at this time, fixed VOIP service is a telecommunications service under Minnesota law, as this Commission has determined, and satisfies the legal requirement.

In summary, Garden Valley has been operating successfully for two years as a CLEC and many more years as an incumbent. This history comports with the requirement of 47 CFR § 54.201 (h) that the carrier demonstrate it is financially and technically capable of providing the supported Lifeline service.

⁷ "Telecommunications carriers" are defined as "any provider of telecommunications services [and a] telecommunications carrier shall be treated as a common carrier under this chapter only to the extent that it is engaged in providing telecommunications services." 47 U.S.C. § 153 (51). (emphasis added). The federal universal service fund program is "under this chapter" in 47 U.S.C. § 254 (51).

⁸ See Motion Seeking Leave to File Brief of Amici Curiae The National Association of Regulatory Utility Commissioners and The National Association of State Consumer Advocates Supporting Defendant-Appellants Petition for Rehearing En Banc, Appeal from the U.S. District Court for the District of Minnesota, No.15-cv-3925, at page 5.

V. COMMISSION OPTIONS

The Commission may choose to:

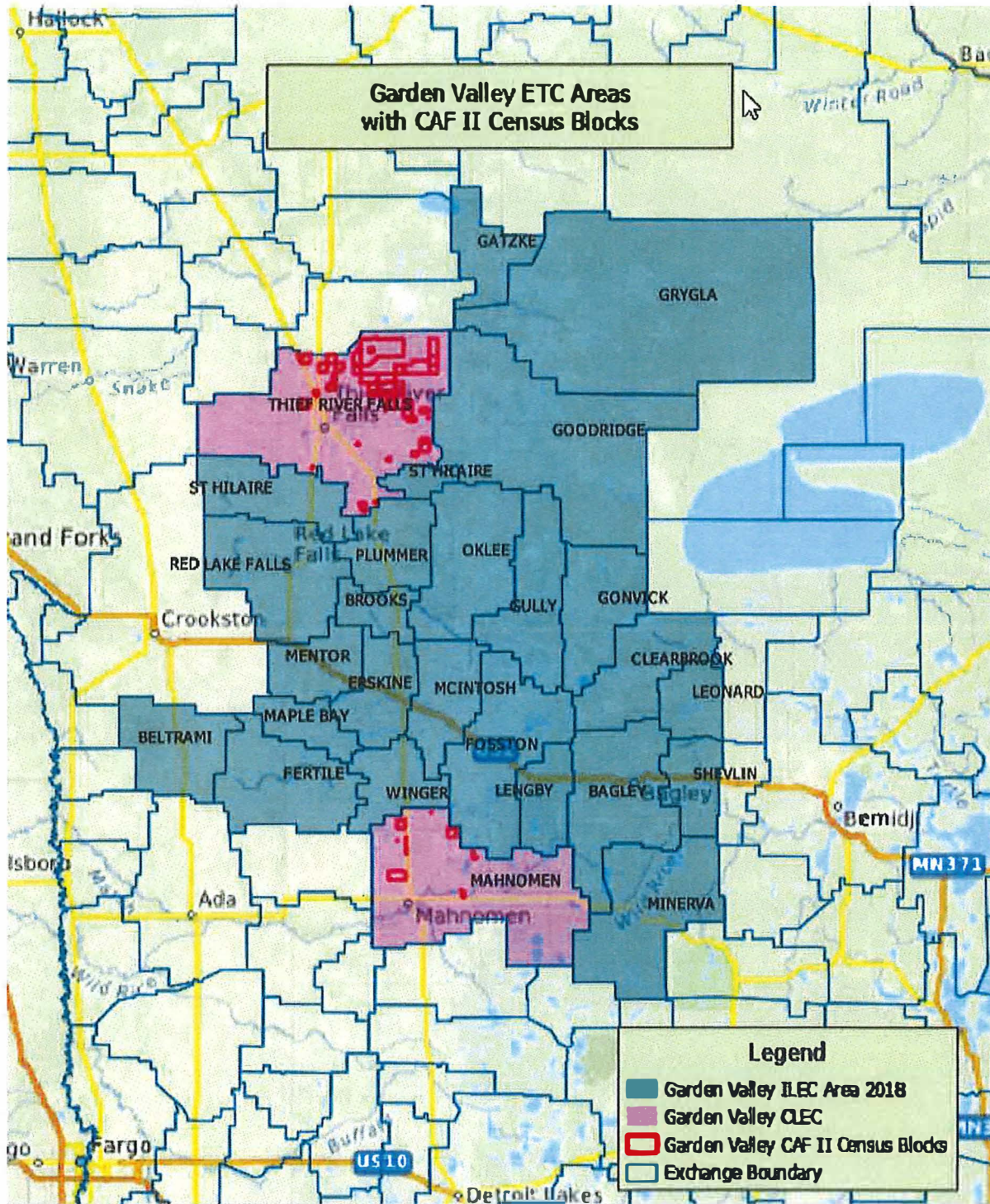
- A. Approve Garden Valley's request for ETC status for high cost support in the Census Blocks listed in Exhibit 1.
- B. Deny Garden Valley's request for ETC status for high cost support in the Census Blocks listed in Exhibit 1.
- C. Take other action, as the Commission deems appropriate.

VI. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission order option A: Approve Garden Valley's request for ETC status for high cost support in the Census Blocks listed in Exhibit 1.

/jl

Attachment



ETC Service Areas: Thief River Falls and Mahanomen exchanges where CenturyLink QC is the incumbent local exchange carrier.

Garden Valley ETC Service Areas

CAF II Census Blocks (new)

Census Block	Exchange		
270879401002005	MAHNOMEN	271130901002145	THIEF RIVER FALLS
270879401002026	MAHNOMEN	271130901002147	THIEF RIVER FALLS
270879401002032	MAHNOMEN	271130901002148	THIEF RIVER FALLS
270879401002035	MAHNOMEN	271130903002050	THIEF RIVER FALLS
270879401002080	MAHNOMEN	271130903002173	THIEF RIVER FALLS
270879401002088	MAHNOMEN		
270879401002106	MAHNOMEN		
270879401002137	MAHNOMEN		
270879401002155	MAHNOMEN		
270890801002111	THIEF RIVER FALLS		
270890801002115	THIEF RIVER FALLS		
270890801002127	THIEF RIVER FALLS		
270890801002129	THIEF RIVER FALLS		
270890801002135	THIEF RIVER FALLS		
270890801002141	THIEF RIVER FALLS		
270890801002145	THIEF RIVER FALLS		
270890801002155	THIEF RIVER FALLS		
270890801002156	THIEF RIVER FALLS		
270890801002157	THIEF RIVER FALLS		
270890801002160	THIEF RIVER FALLS		
270890801002161	THIEF RIVER FALLS		
270890801002163	THIEF RIVER FALLS		
270890801002180	THIEF RIVER FALLS		
270890801002181	THIEF RIVER FALLS		
270890801002186	THIEF RIVER FALLS		
270890801002190	THIEF RIVER FALLS		
270890801002207	THIEF RIVER FALLS		
270890801002208	THIEF RIVER FALLS		
270890801002209	THIEF RIVER FALLS		
270890801002210	THIEF RIVER FALLS		
270890801002219	THIEF RIVER FALLS		
270890801002221	THIEF RIVER FALLS		
270890801002222	THIEF RIVER FALLS		
270890801002244	THIEF RIVER FALLS		
271130901001017	THIEF RIVER FALLS		
271130901001045	THIEF RIVER FALLS		
271130901001052	THIEF RIVER FALLS		
271130901001055	THIEF RIVER FALLS		
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271130901002022	THIEF RIVER FALLS		
271130901002033	THIEF RIVER FALLS		
271130901002053	THIEF RIVER FALLS		
271130901002057	THIEF RIVER FALLS		
271130901002065	THIEF RIVER FALLS		
271130901002142	THIEF RIVER FALLS		

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. P409/AM-18-607

Dated this 16th day of November 2018

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tim	Brinkman	tim.brinkman@gvtel.net	Garden Valley Telephone Company - Coop	201 Ross Avenue PO Box 259 Erskine, MN 56535	Electronic Service	No	OFF_SL_18-607_AM-18-607
Linda	Chavez	linda.chavez@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 55101-2198	Electronic Service	No	OFF_SL_18-607_AM-18-607
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-607_AM-18-607
David	Denton	david.denton@state.mn.us	DPS ECN	445 Minnesota Street Suite 137 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_18-607_AM-18-607
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-607_AM-18-607
Pete	Eggimann	PEGGIMANN@MN-MESB.ORG	Metropolitan Emergency Services Board	2099 University Ave W Ste 201 St. Paul, MN 551043431	Electronic Service	No	OFF_SL_18-607_AM-18-607
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_18-607_AM-18-607
Dana	Wahlberg	dana.wahlberg@state.mn.us	Department of Public Safety	Town Square Ste 137 444 Cedar St St. Paul, MN 551015126	Electronic Service	No	OFF_SL_18-607_AM-18-607
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-607_AM-18-607