BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

| IN THE MATTER OF THE APPLICATION |) | |
|----------------------------------|---|------------------------|
| OF NEWMAX, LLC DBA INTERMAX |) | CASE NO. NEW-T-18-01 |
| NETWORKS FOR DESIGNATION AS AN |) | |
| ELIGIBLE TELECOMMUNICATIONS |) | ORDER NO. 34254 |
| CARRIER |) | |

On November 5, 2018, Newmax, LLC dba Intermax Networks ("Intermax" or the "Company") applied to the Commission for an Order designating the Company as an eligible telecommunications carrier (ETC) in certain Idaho census blocks. The Company seeks ETC designation so it can receive support it was provisionally awarded under the Federal Communications Commission (FCC) Connect America Fund (CAF) Phase II Auction.¹ The Commission issued a Notice of Application and Modified Procedure on December 19, 2018. Order No. 34220.

On January 8, 2019, Commission Staff filed comments recommending the Commission approve the Application in the public interest. The Coeur D'Alene Tribe (the "Tribe"), on the other hand, filed a Petition to Intervene, and a separate Protest and Comment and Request for Hearing. On January 15, 2018, the Company replied to the Tribe's filings by asking the Commission to approve the Application and grant it ETC status without further proceedings or a hearing. On January 22, 2019, the Commission considered the above outlined filings during its public decision meeting and granted the Tribe's intervention, denied its request for a stay and for a technical hearing, and amended the Notice of Modified Procedure to extend the comment deadlines. *See* Order No. 34237 at 1.

Based on a thorough review of the record established in this case, the Commission now approves the Company's Application.

BACKGROUND

A. The Connect America Fund

On January 31, 2018, the FCC issued an Order on Reconsideration concerning its Connect America Fund initiative, which enabled the FCC to move forward with the CAF II Auction, in which service providers competed to receive up to \$1.98 billion to offer voice and

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¹ The Company filed a Supplemental Statement on Local Usage Plans with the Commission on December 3, 2018.

broadband service in unserved high-cost areas.² That Order followed a series of orders establishing the details of the CAF II Auction.³ Under this program the FCC will disburse up to \$198 million annually for providers – including competitive providers such as competitive local exchange carriers, cable operators, fixed wireless ISPs, satellite broadband, or alternative providers such as electric utilities and governmental entities – to deploy broadband networks in high-cost unserved price cap areas.

On August 28, 2018, the FCC announced the Auction 903 results. The FCC designated Intermax as a winning bidder in specific Census Block Groups in Idaho. Funding is contingent on Intermax demonstrating that it meets the FCC's technical and financial qualifications, including obtaining ETC designation from the Idaho Public Utilities Commission by February 25, 2019, for the service area. ETC designation by this Commission is, therefore, a prerequisite for Intermax's eligibility for funding.⁴

B. ETC Designation Requirements

Under the federal Telecommunications Act of 1996 (the "Federal Act"), a carrier designated as an ETC is eligible to receive federal support from the federal Universal Service Fund (USF).⁵ 47 U.S.C. § 214(e). This Commission has the authority, under the Federal Act, to grant ETC designations within Idaho. 47 U.S.C. § 214(e)(2). Authority for the Commission to designate ETC status is also provided in Idaho law—the Idaho Telecommunications Act of 1988 (the "Idaho Act")—and expounded upon in prior Commission orders. *See Idaho Code* §§ 62-610D(1), 62-615(1); Order No. 29841 ("ETC Requirements Order"). Under this authority, this Commission has granted ETC designations to numerous carriers in Idaho, including wireless carriers. *See e.g.* Order Nos. 32586, 32645, and 34163.

² Connect America Fund, et al., Order on Reconsideration, 33 FCC Rcd 1380 (2018).

³ See, e.g., Connect America Fund et al., Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 5949 (2016).

⁴ Auction 903 Results Notice, para. 15, n. 11.

⁵ The FCC established the federal USF with the intent to make adequate, efficient communications available nationwide, at reasonable charges. *In the Matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training* ("Lifeline and Link Up Reform Order") 27 F.C.C.R. 6656, at 6660-62 (Feb. 6, 2012); 47 U.S.C. § 254(b). Lifeline is a program supported by the USF that provides monthly discounts to eligible low-income subscribers in order to maintain access to communications networks. *Lifeline and Link Up Reform* Order, 27 F.C.C.R. 6656 at 6662-63. High-cost support through the Connect America Fund, addresses initial connections for services in high-cost areas. *See In the Matter Connect America Fund*, 27 F.C.C.R. 4040, 17672-73 (Nov. 18, 2011) (goals for high-cost support include ensuring and advancing the availability of communications services). Idaho has an analogous state USF program, established in *Idaho Code* §§ 62-610 and 62-610A-610F, and a Lifeline program knows as the Idaho Telecommunications Service Assistance Program (ITSAP).

To qualify as an ETC, an applicant must satisfy several requirements established in federal and state law. 47 U.S.C. § 214(e); Order No. 29841. The Federal Act requires the applicant to be a "common carrier," offering services supported under Section 254(c) of the Federal Act "using its own facilities or a combination of its own facilities and resale of another carrier's services," unless otherwise granted FCC forbearance. 47 U.S.C. §§ 153(10), 214(e)(1)(A), 160(a)(3) (FCC has regulatory flexibility to forbear application where consistent with public interest). The Federal Act also requires that the applicant "advertise the availability of such services and the charges therefor using media of general distribution." 47 U.S.C. § 214(e)(1)(B).

Under the Federal Act, state commissions are granted the authority to determine whether ETC designation is "consistent with the public interest, convenience, and necessity." 47 U.S.C. § 214(e)(2). In evaluating this public interest element, this Commission has generally considered two factors. *See* Order Nos. 33002 at 2-3; and 33226 at 3. First, the Commission evaluates whether the carrier contributes to state assistance programs such as ITSAP and the Idaho Telecommunications Relay Services (TRS) program. *Id.*; *Idaho Code* § 61-1301. Second, the Commission considers if the designation is sought for only part of a rural telephone company's study area, thus leaving some (perhaps less profitable) customers without service. *See* Order Nos. 33002 at 2-3; and 33226 at 3. Such practice, known as "cream skimming," has been determined by this Commission to be contrary to the public interest. *Id.*

Federal regulations include the following additional requirements, which the Commission has adopted by reference, in evaluating applications for ETC designation: (1) compliance with service requirements applicable to support received; (2) submission of a plan for proposed improvements or upgrades to the network (where applicable); (3) demonstrated ability to remain functional in emergencies without an external power source; (4) demonstrated willingness to satisfy consumer protection and service quality standards; (5) financial and technical capability to provide Lifeline service; and (6) notice to affected Tribes where designation is sought for any part of Tribal lands. *See* 47 C.F.R. § 54.202; "ETC Requirements Order" No. 29841 at 5 and 16.

For applicants seeking Lifeline-only ETCs, the FCC has waived the requirement to submit a network improvement and upgrade plan, noting that such ETCs do not receive funds to improve or extend their networks. *Lifeline and Link Up Reform Order*, 27 F.C.C.R. 6656, ¶ 386.

This Commission—which requires a two-year network improvement plan and progress report (Order No. 29841 at 18) where applicable—has also waived the requirement where a Lifeline-only ETC is requested. Order No. 33002 at 3, *citing Lifeline and Link Up Reform Order*, 27 F.C.C.R. 6656, ¶ 386.

THE APPLICATION

Newmax, LLC dba Intermax Networks is an Idaho LLC. Intermax stated it is a facilities-based, locally-owned, independent Internet, voice, data, and IT Managed Services provider. Application at 3. It provides a variety of "fixed terrestrial broadband services, including fiber, cable Internet, and fixed point to multi-point wireless broadband services," and Voice over Internet Protocol (VoIP) technology. *Id*.

Intermax participated in, and was provisionally selected as, a recipient of funds from the CAF II Auction. Intermax's receipt of the funds is contingent on it meeting the FCC's technical and financial qualifications, which includes obtaining ETC designation in Idaho. *Id.* at 2. Intermax stated it must obtain designation as an Idaho ETC in specific eligible Census Block Groups by February 25, 2019, as set forth in Exhibit A to the Company's Application. Intermax asserted that 47 U.S.C. § 214(e)(2), 47 C.F.R. §§ 54.201, *et seq.*, Idaho Commission Order No. 29841, and IDAPA 31.46.01 *et seq.*, govern its designation as an ETC.

Intermax claimed it satisfies all FCC and Commission rules and requirements for ETC designation, claiming it: (1) is a common carrier that will offer high-speed Internet access service and unlimited VoIP under local usage plans comparable to those offered by incumbent local exchange carriers; (2) can provide continuous universal services outlined in 47 C.F.R. § 54.101(a); (3) will advertise the availability of its universal service offering through media of general distribution; (4) will notify and engage Tribal governments according to 47 C.F.R. § 54.1004^{6,7}; (5) has demonstrated that ETC designation is consistent with the public interest, convenience, and necessity; (6) is committed to providing supported service based on the criteria

⁶ In Intermax's Supplemental Application, filed with the Commission on December 3, 2018, Intermax included a letter sent to the Tribe stating that it "would like to engage the Coeur d'Alene Tribe in discussions regarding . . . pursuant to 47 C.F.R. § 54.1004: (i) A needs assessment and deployment planning with a focus on Tribal community anchor institutions; (ii) Feasibility and sustainability planning; (iii) Marketing services in a culturally sensitive manner; (iv) Rights of way processes, land use permitting, facilities siting, environmental and cultural preservation review processes; and (v) Compliance with Tribal business and licensing requirements."

⁷ For clarification, 47 C.F.R. § 54.202—and our Order No. 29841 (*see* pages 5 and 16)—govern tribal notification at this stage. If and when the Company actually receives its provisionally granted CAF award, 47 C.F.R. § 54.301 *et seq.* will govern Tribal reporting and consultation.

in Order No. 29841; (7) has a reasonable amount of back-up power to operate without an external power source (with the ability to re-route traffic around damaged facilities or in emergency); and (8) will comply with annual reporting requirements set forth in Order No. 29841. *Id.* at 5 and the Supplemental Statement on Local Usage Plans.

Intermax certified that "all federal high-cost support provided to [it] for service areas in Idaho will be used for the provision, maintenance, and upgrading of facilities and services for which the support was intended, consistent with Section 47 U.S.C. § 254(c)." *Id.* at 9.

THE COMMENTS

A. Staff

Staff reviewed Intermax's Application and conducted an analysis of the Company's fulfillment of the Federal Telecommunications Act of 1996, the Connect America Fund requirements, and Commission Order No. 29841. In addition, Staff analyzed the public interest benefits of awarding the Company ETC designation.

Staff determined that Intermax either fulfilled or met waiver requirements of each requirement to be an ETC in Idaho. Specifically, Staff determined that: (1) Intermax satisfied the public interest considerations related to Idaho ETC designation; (2) a two-year network improvement and progress report is not required due to the FCC's waiver of the five-year plan as part of its ETC designation process; and (3) the Company has the ability to remain functional in emergency situation, in accordance with Order No. 29841 and 47 C.F.R. § 54.202(a)(2).

Staff further determined the Company meets all other requirements of the Commission, set forth at Appendix 1 of Order No. 29841. Specifically, Intermax: (1) is a common carrier as defined by 47 U.S.C. § 214(e)(1); (2) committed to providing universal services; (3) committed to advertise the availability of its service offerings; (4) committed to describe local usage plans; (5) stated its Application is in the public interest; (6) committed to maintaining the ability to provide supported services; (7) committed to remain functional in emergencies; and (8) committed to maintain sufficient consumer protection and service. Accordingly, Staff recommended the Commission approve the Company's Application.

B. Tribe's Protest and Comments

The Tribe submitted a Petition to Intervene, and a Protest and Comment and Request for Hearing. The Tribe stated its interest arises because Intermax seeks ETC designation on four Census Blocks on the Coeur d' Alene Reservation, over which the Tribe has sovereign

jurisdiction. See Tribe's Petition to Intervene, and a Protest and Comment and Request for Hearing at 1.

The Tribe argued that Intermax failed to properly apply for ETC designation in Idaho and on Tribal lands because Intermax: (a) did not commit to provide Lifeline services (including whether it would provide Lifeline services through its own facilities, or through resold services); (b) did not demonstrate it is authorized to do business on the reservation; (c) did not adequately meet the Tribal consultation provisions of the FCC's regulations; and (d) filed an Application that may not be in the public interest because the Triba applied for a competing ETC designation with the FCC. *Id.* at 2-6.

The Tribe asked for an order: (1) allowing the Tribe to intervene as a party; (2) holding the case in abeyance "until . . . the Tribe certifies to the Commission that Intermax is qualified to do business on the reservation"; (2) determining whether sufficient notice was provided to the Tribe; (3) determining whether Intermax would provide Lifeline services and, if so, whether it would provide the services through its own facilities or through resold services; and (4) determining whether Intermax has substantively engaged with the Tribe according to federal regulation. *See Id.* at 2-5 and 47 C.F.R. 54.1004(d). The Tribe requested a hearing under Commission Rule 203. *Id.* at 6.

C. Company's Reply

The Company replied that the Tribe "does not present issues material to the Commission's consideration of Intermax's application" for ETC designation, and, therefore, no hearing or further proceedings are necessary." *See* Newmax, LLC DBA Intermax Reply Comments at 1.

The Company argued that the Tribe's requests should be denied because: (1) the Company committed to complying with federal and state law if granted ETC designation (but did not have to state every legal requirement to which it is subject, including its participation in Lifeline); (2) while federal law permits ETCs to offer services through their own facilities or a combination of their facilities and the resale of another carrier's services, the Commission need not decide exactly how the Company would provide the services—i.e., whether only through its own facilities, only through resold services, or through a combination of both—as a condition to granting the Company ETC status; (3) the Company did not have to register to do business and obtain a business license from the Tribe to become an ETC; rather, the Company would obtain

requisite Tribal permissions before doing business on the Tribe's lands; (4) the Tribe cited an incorrect and irrelevant FCC regulation to argue that when the Company provides service to Tribal lands, it is subject to consultation obligations as a condition to receiving ETC designation, instead of annual reporting requirements related to Tribal service; and (5) approval of the Company's Application should not be withheld simply because the Tribe has applied for ETC designation with the FCC, because only one recipient of support from the CAF Phase II Auction will be in each census block. *Id.* at 2-4.

While the Company did not object to the Tribe intervening, it denied there was a need for additional process or hearing. Instead, the Company recommended that the Commission approve the Application, as it is in the public interest and all federal and state laws had been complied with. *Id.* at 5.

D. Tribe's Supplemental Comments

The Tribe filed supplemental comments on February 7, 2019, stating, in summary, that: (1) the Digital Divide is causing a looming crisis in Indian Country because the Lifeline Program is under attack by the FCC; (2) the D.C. Circuit remanded the FCC's Fourth Report and Order because "traditional carriers have left the market for providing Lifeline services because they find them unprofitable and the compliance costs too high"s; (3) if Intermax chooses to service the Tribal Census Blocks through resale of other facilities, members of the Tribe would lose \$25 per month in Tier 4 support, potentially leaving Tribal members unable to afford Intermax's services; (4) while Intermax did state that it will provide Lifeline services, it did so only in its Reply Comments and through an attorney for the Company who is not licensed to practice law in Idaho or admitted pro hac vice⁹; (5) Intermax did not indicate or make a showing of being able to obtain ETC designation for purposes of receiving Lifeline or Tribal Lifeline funding support or offerings, or whether it had interfaced with any Tribes related to such services; (6) the Tribe would like the answer of when Intermax will provide Lifeline services answered prior to it being granted ETC designation; (7) the Commission should hold a hearing related to Lifeline and the services the Company purports to provide, at least to those Census Blocks on Tribal ground; and (8) the issue of whether Intermax will adequately serve the Coeur

⁸ See Coeur d'Alene Tribe Supplemental Comments at 2.

⁹ The Commission found, in Order No. 34220, that this docket should be processed through modified procedure. IDAPA 31.01.01.043 states that written comments in modified procedure are an administrative function, which can be handled by a either a non-attorney or licensed attorney. Rule 43 does not require pro hac vice admission if written comments are filed by an attorney.

d'Alene Tribe is a question for the Idaho Commission and not, as alleged by the Company, the FCC. Coeur d'Alene Tribe Supplemental Comments at 1-6.

E. Intermax Supplemental Reply Comments

The Company, on the other hand, replied, in summary, that: (1) the tribe is "sorely mistaken" in suggesting the FCC rulemaking proceedings and the D.C. Circuit Court's remand related to the FCC's Lifeline rules, because the rulemaking process related to the Lifeline rules is not a consideration when determining Intermax's commitment to comply with the Idaho Commission's rules, or to Lifeline services in the supported census blocks; (2) "[i]t is a requirement of the FCC's Connect America Fund ('CAF') rules that Intermax offer Lifeline services to its supported census blocks, and Intermax has committed to do that on two occasions"; (3) the Commission should reject the Tribe's attempts to impose a higher standard for Intermax than is required by law; and (4) the commitments the Company makes at this point in the process are what matter, including its commitment to service quality, FCC build-out milestones, and FCC rules and enforcement and remediation procedures if it does not fulfill its commitments. Newmax, LLC dba Intermax Networks Supplemental Reply Comments at 1-5.

DISCUSSION AND FINDINGS

The Commission has authority to grant ETC designation to a telecommunications carrier under federal and state law. 47 U.S.C. § 214(e); and *Idaho Code* §§ 62-610D, 62-615(1). The Commission has reviewed and considered the record in this case, including Intermax's Application and exhibits, Staff comments, and the reply and supplemental comments. We now make the following findings in granting the Application.

A. Common Carrier, Own-Facilities, and Advertising

We first address requirements listed in § 214(e)(1) of the federal Telecommunications Act. That provision requires an applicant to be a "common carrier" offering services "using its own facilities or a combination of its own facilities and resale of another carrier's services," unless otherwise granted FCC forbearance. 47 U.S.C. §§ 153(10), 214(e)(1)(A), 160(a)(3). Intermax stated that it "use a combination of its own network and facilities and resale of another carrier's services to provide service." Application at 6. Therefore, we find that Intermax is a facilities-based provider that will use its own facilities and resale of another carrier's services, which is permissible under 47 U.S.C. § 214(e)(1)(A). On the record before us, we find that Intermax is also a "common carrier." See 47 U.S.C. § 153(11); and Application at 5-6. An

applicant seeking ETC designation must also "advertise the availability of such services and the charges therefor using media of general distribution." 47 U.S.C. § 214(e)(1)(B). Based on the record and the Company's assurances, we find this requirement to also be satisfied. Application at 7.

B. Public Interest and Related ETC Designation Requirements

Under the Federal Act, state commissions shall determine whether granting the requested ETC designation is "consistent with the public interest, convenience, and necessity." 47 U.S.C. § 214(e)(2).

First, Intermax certified that it is

capable of providing (a) voice grade access to the public switched telephone network; (b) minutes of use for local service providers at no additional charge to end users; (c) access to emergency services provided by local government or other public safety organizations (such as 911 and enhanced 911) . . . and (d) toll-limitation services for qualifying low-income consumers. Intermax's voice services interconnect with, and provide voice-grade access to, the Public Switched Telephone Network, and Intermax relies on local-exchange-carrier partners with regard to physical interconnection, numbering resources, local number portability, call termination, and other service. Intermax does not meter local calls and in fact treats local and non-local calls as equivalents, thereby eliminating the need for toll-limitation for low-income consumers.

Application at 6. Intermax also committed to offering Lifeline services, as required by FCC rules. *See* 47 C.F.R. § 54.101(d); Newmax, LLC dba Intermax Networks Reply Comments at 2; and Newmax, LLC dba Intermax Networks Supplemental Reply Comments at 2-3.

We find that the Company's offering of these services in the CAF II Auction awarded service areas promotes the public interest because the provision of these services will enable recipients to deploy CAF II Auction funds to high-cost areas of Idaho which are unserved or underserved and provide investment in facilities and equipment in these areas. This deployment also furthers the goals of this Commission, and of the FCC, of expanding the reach of digital connectivity to promote economic growth in rural areas. Further, in pursuit of deployment Intermax has made a commitment to satisfying all applicable state and federal requirements related to consumer protection and service quality standards. Application at 8.

We also consider whether the Company would contribute to the appropriate Idaho funds. Order Nos. 33002 at 2-3, 33226 at 3. Staff confirmed that Intermax, upon approval and commencement of business operation in Idaho, will participate in the appropriate Idaho

programs, specifically the Idaho 9-1-1 program and any additional required reporting requirements for completive telecommunications providers. Staff Comments at 3. We find that the Company's commitment to participating in the appropriate Idaho programs advances the public interest.

Next we consider whether the Company is engaged in "cream skimming," which we have found to be contrary to the public interest. Order Nos. 33002 at 2-3, 33226 at 3. We agree with Staff, because the Company requested ETC designation for entire census blocks where price cap carriers previously declined support to serve, no cream skimming analysis is required.

We therefore find that granting Intermax ETC designation in the applied for Census Block Groups satisfies state and federal public interest requirements.

C. Remaining Requirements

Finally, we address the six remaining requirements from federal regulations and our "ETC Requirements Order." 47 C.F.R. § 54.202; "ETC Requirements Order" No. 29841.

- (1) <u>Service Requirements for Support Received</u>. We find that Intermax has sufficiently committed to meeting these requirements. *See* Application at 7-8.
- (2) <u>Plan for Proposed Improvements or Upgrades to the Network</u>. We agree with Staff. Because the FCC waived the requirement for a winning bidder to file a five-year plan as part of the ETC designation process, a network improvement plan is not required under Intermax's Application. See Order Nos. 29841; 32501; and *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket Nos. 10-90, 14-58, 29 F.C.C.R. 8769, 8801, 8095, para. 77 (2014).
- (3) <u>Ability to Remain Functional in Emergencies</u>. We find the Company has demonstrated sufficient compliance with this requirement. Application at 8.
- (4) <u>Willingness to Satisfy Consumer Protection and Service Quality Standards</u>. We are satisfied with the Company's assurances as to this requirement. *Id.* at 8.
- (5) <u>Financial and Technical Capability</u>. Based on the Company's assurances and description of its financial and technical qualifications, we also find this requirement to be satisfied. *Id.* at 3.
- (6) <u>Notice to Affected Tribes</u>. For purposes of obtaining ETC designation by this Commission we find the Company has sufficiently notified and engaged the Tribe according to 47 C.F.R. § 54.202, and our Order No. 29841 (at pages 5 and 16). Intermax's Application before

this Commission for ETC designation is but one part of its receipt (and continued maintenance) of high cost USF CAF support and our role at this time is to determine whether Intermax may be an ETC in Idaho, not determine how, when, and in what precise matter the Company will use that eligibility in partnering with the Tribe. There are mechanisms both at the Tribal level, and under the Federal Act for preventing improper practice of business on tribal lands, and for malfeasance under regulations to the Federal Act, which are enforced by the FCC. *See, e.g.*, 47 C.F.R. § 54.320.¹⁰ We would, however, encourage the Company and the Tribe, while recognizing its sovereignty, to view their relationship as a partnership, and not in an adversarial fashion, with an aim toward the common end goal of universal service in high-cost support areas, including on Tribal lands.

Based on the above findings, we conclude that Intermax has satisfied the federal and state requirements for designation as an Idaho eligible telecommunications carrier, and we therefore grant the Application for the Census Block Groups described in Exhibit 1 of the Company's Application.

ORDER

IT IS HEREBY ORDERED that the Commission approves Intermax's Application for designation as an eligible telecommunications carrier as discussed herein.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

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¹⁰ 47 C.F.R. § 54.320 requires ETCs receiving universal service high-cost support to, among other things, be audited, to retain records, to comply with public interest obligations, to meet build-out milestones, and to submit to ongoing compliance reviews. Failure under the regulations may lead to enforcement proceedings by the FCC, including penalties, reductions in support amounts, revocation of ETC designation, and suspension or debarment.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 22 md day of February 2019.

PAUL KJELLANDER, PRESIDENT

KRATINE RAPER COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian
Commission Secretary

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