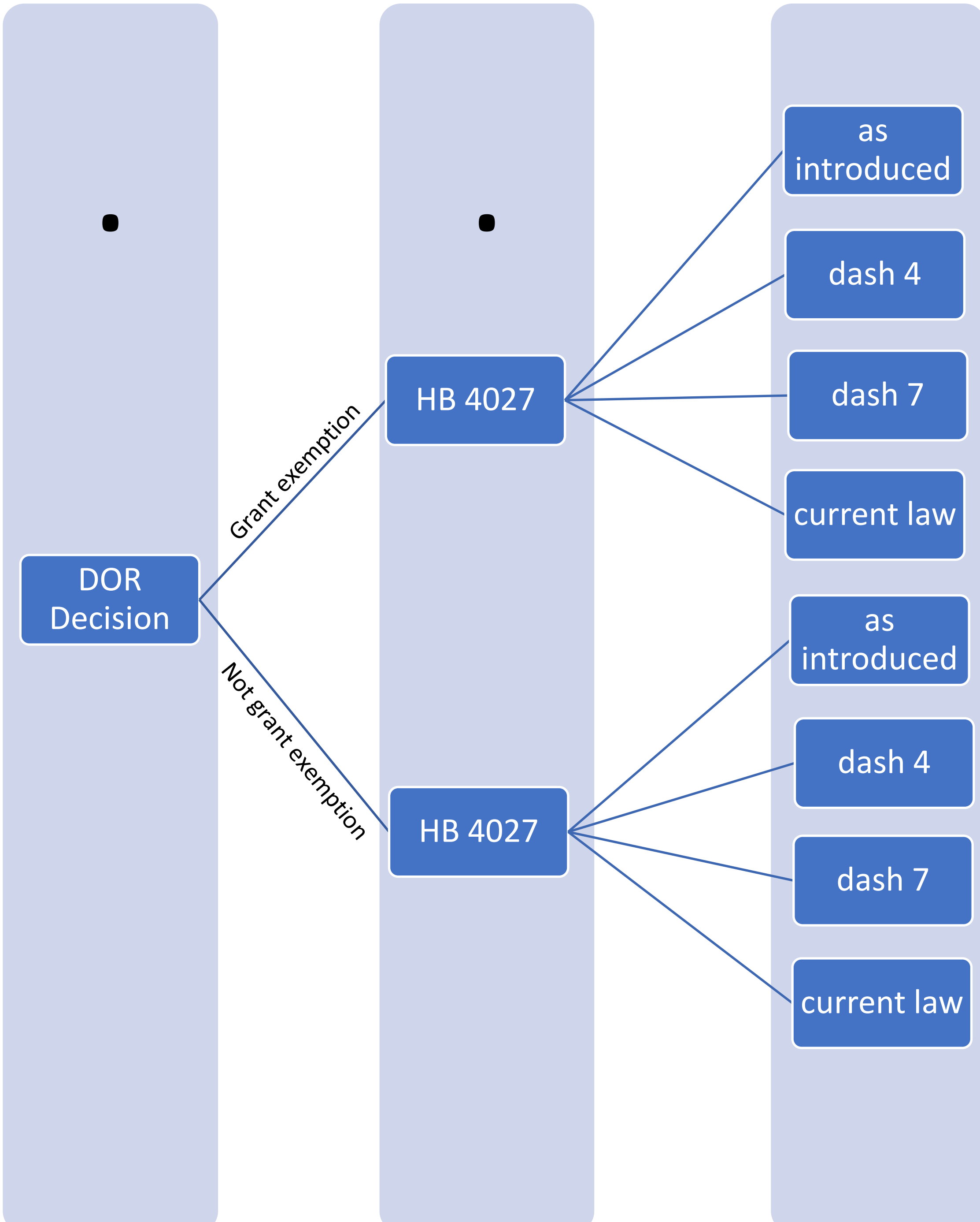

	2016-2017		out years		
Comcast	$100 M	RL	$15 M	RG	A
Frontier	$0 M	RN	$2.5 M	RG	
Comcast	$15 M	RG	$15 M	RG	B
Frontier	$2.5 M	RG	$2.5 M	RG	
Comcast	$ 0 M	RN	$15 M	RG	C
Frontier	$ 0 M	RN	$2.5 M	RG	
Comcast	$15 M		annual tax expenditure		
Frontier	$2.5 M		annual tax expenditure		
Comcast	$ 115 M	RL	$ 0 M	RN	D
Frontier	$ 2.5 M	RL	$ 0 M	RN	
Comcast	$ 0 M	RN	$ 0 M	RN	E
Frontier	$ 0 M	RN	$ 0 M	RN	
Comcast	$15 M	RL	$ 0 M	RN	F
Frontier	$2.5 M	RL	$ 0 M	RN	
Comcast	$ 0 M		annual tax expenditure		
Frontier	$ 0 M		annual tax expenditure		

*note: the out years assume that the DOR would have not granted exemption under current law, but eventually, with subscribers, they may under current law

OUTCOMES: Assuming Department of Revenue Grants Exemption Under Current Law

A: Assuming that the DOR, either of its own volition, or by order of the court, was going to give Comcast and Frontier their exemption under current law ($15 M/Comcast & $2.5 M/Frontier), then all revenue gain (RG -green), revenue loss (RL - red) or revenue neutral (RN - white) are considered against that baseline backdrop. HB 4027 proposed to give companies that received qualified status by the PUC a one year **tax credit** for the **amounts invested** in symmetric gigabit technology, and then repeal SB 611, retroactively. Therefore, in the first year assuming Comcast invested $115 M (per the 2018 PUC symmetrical gigabit report), and netting that against the gigabit tax exemption that they would have received from the DOR of $15 M (per prior analysis by LRO including 10-k, Oregon allocation factor, and assumed property tax rates), there is a revenue loss, in the first year of approximately ($15 M - $115 M) = $100 M. Frontier, because the company is smaller, can be assumed to receive by DOR the minimum gigabit exemption, under current law of $250 million, which, with the Oregon allocation factor and the assumed tax rate, provides them with an approximate tax exemption of $2.5 M. Frontier has also stated publicly that the amounts invested in their gigabit infrastructure amount to a similar number (per the 2018 PUC symmetrical gigabit report). Hence, for Frontier, in the first year, the impact of the Bill as introduced is revenue neutral $2.5 M - $2.5 M.

B: Assuming that the DOR, either of its own volition, or by order of the court, was going to give Comcast and Frontier their exemption under current law ($15 M/Comcast & $2.5 M/Frontier), then all revenue gain (RG -green), revenue loss (RL - red) or revenue neutral (RN - white) are considered against that baseline backdrop. HB 4027 proposed to give companies that received qualified status by the PUC a one year **tax credit** for the **amounts invested** in symmetric gigabit technology, and then repeal SB 611, retroactively. The **Dash 4** tightens the language (no shared equipment) around qualification for the proposed tax credit so much that some argue that no company would ever get the tax credit under the dash 4. Therefore, neither company would receive the tax credit (i.e. tax credit = $0 for all companies) and netting that against the gigabit tax exemption that they would have received from the DOR of $15 M (per prior analysis by LRO including 10-k, Oregon allocation factor, and assumed property tax rates), there is a revenue gain of approximately ($15 M - $0 M) = $100 M. Frontier, because the company is smaller, can be assumed to receive by DOR the minimum gigabit exemption, under current law of $250 million, which, with the Oregon allocation factor and the assumed tax rate, provides them with an approximate tax exemption of $2.5 M. Hence, for Frontier, in the first year, the impact of the Bill as introduced is revenue neutral $2.5 M - $0 M.

C: Assuming that the DOR, either of its own volition, or by order of the court, was going to give Comcast and Frontier their exemption under current law ($15 M/Comcast & $2.5 M/Frontier), then all revenue gain (RG -green), revenue loss (RL - red) or revenue neutral (RN - white) are considered against that baseline backdrop. HB 4027-7 would just give them the amount of that tax exemption for one year, and then retroactively repeal SB 611. Therefore, in the year that the company received the exemption under HB 4027-7, it is the same amount that they would have received under current law. Therefore in the first year that the company receives the exemption HB 4027-7 is revenue neutral.

*However, the future years matter, because, under current law, a company may continue to receive a gigabit property exemption on the value of their intangibles. The introduced version of the bill, with the retroactive repeal would mean that in the out years, no company is receiving either a credit or an exemption. Therefore, compared to current law, in future years, under the above assumptions, the bill generates a revenue gain for each year that the companies would have received a gigabit exemption.

OUTCOMES: Assuming Department of Revenue does not grant Exemption Under Current Law

D: Assuming that the DOR, either of its own volition, or by order of the court, was **not** going to give Comcast and Frontier their exemption under current law ($0 M/Comcast & $0 M/Frontier), then all revenue gain (RG -green), revenue loss (RL - red) or revenue neutral (RN - white) are considered against that baseline backdrop. HB 4027 proposed to give companies that received qualified status by the PUC a one year **tax credit** for the **amounts invested** in symmetric gigabit technology, and then repeal SB 611, retroactively. Therefore, in the first year assuming Comcast invested $115 M (per the 2018 PUC symmetrical gigabit report), and netting that against the fact that they, under assumption, would have received no exemption under current law there is a revenue loss, in the first year of approximately ($0 M - $115 M) = $115 M. Frontier has stated publicly that the amounts invested in their gigabit infrastructure amount to approximately $2.5 M (per the 2018 PUC symmetrical gigabit report). Hence, for Frontier, in the first year, the impact of the Bill as introduced is a revenue loss $0 M - $2.5 M.

E: Assuming that the DOR, either of its own volition, or by order of the court, was **not** going to give Comcast and Frontier their exemption under current law ($0 M/Comcast & $0 M/Frontier), then all revenue gain (RG -green), revenue loss (RL - red) or revenue neutral (RN - white) are considered against that baseline backdrop. HB 4027 proposed to give companies that received qualified status by the PUC a one year **tax credit** for the **amounts invested** in symmetric gigabit technology, and then repeal SB 611, retroactively. The **Dash 4** tightens the language (no shared equipment) around qualification for the proposed tax credit so much that some argue that no company would ever get the tax credit under the dash 4. Therefore, neither company would receive the tax credit (i.e. tax credit = $0 for all companies). However, comparing that to the assumption that their gigabit exemption application is denied by the DOR, this is a no change.

F: Assuming that the DOR, either of its own volition, or by order of the court, was **not** going to give Comcast and Frontier their exemption under current law ($0 M/Comcast & $0 M/Frontier), then all revenue gain (RG -green), revenue loss (RL - red) or revenue neutral (RN - white) are considered against that baseline backdrop. . HB 4027-7 would just give them the amount of that tax exemption for one year, and then retroactively repeal SB 611. Therefore, in the year that the company received the exemption under HB 4027-7, it would be a revenue loss (compared to denial by the DOR under current law).

Comcast: $0 - $15 M = -$15 M

Frontier: $0 - $2.5 M = -$ 2.5 M

However, the future years matter, because, under current law, a company may continue to receive a gigabit property exemption on the value of their intangibles. The introduced version of the bill, with the retroactive repeal would mean that in the out years, no company is receiving either a credit or an exemption. However, under the assumption that the companies would not have been granted the exemption by the DOR, this results in no change. Although it is important to note that a large issue in whether to grant the exemption under current law is whether the project is operating, i.e. whether there are customers. One would assume that prior to the sunset, eventually the companies may be able to demonstrate active customers, and would therefore be receiving the exemption.