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**BEFORE THE  
NEBRASKA PUBLIC SERVICE COMMISSION**

**In the Matter of the Nebraska )  
Public Service Commission, on )  
its own motion, to consider )           No. NUSF-100-PI-193  
revisions to the universal )  
service fund contribution )  
methodology. )**

**REPLY TESTIMONY  
OF  
PAMELA HOLLICK  
LEVEL 3 COMMUNICATIONS**

**April 21, 2017**

1 **Q. PLEASE STATE YOUR NAME AND ARE YOU THE SAME PAMELA HOLLICK THAT**  
2 **FILED TESTIMONY IN THIS DOCKET?**

3 A. My name is Pamela Hollick and my business address is 4625 W. 86<sup>th</sup> Street,  
4 Indianapolis, IN 46268. Level 3 Communications employs me as Associate General  
5 Counsel, State Public Policy and I did file direct testimony in this matter last  
6 month.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my reply testimony is to continue to explain the ambiguities and  
9 implementation issues with the ‘connections-based’ contribution system as  
10 further modified by the staff and explained in the testimony of Cullen Robbins. I  
11 also comment on the alternative proposals raised in the testimony of the Nebraska  
12 Rural Independent Companies (RIC).

13 **Q. DO YOU HAVE CONCERNS WITH THE VARIOUS CONNECTIONS-BASED**  
14 **PROPOSALS?**

15 A. Yes. I explained in my direct testimony that Level 3 has generally supported the  
16 exploration of alternatives to a revenue-based system, but that a connections-  
17 based mechanism will require additional development work, definitional work,  
18 and implementation work. Those complexities and issues have been highlighted in  
19 comments filed at the FCC, and further explained in testimony filed in this  
20 proceeding last month.

21 In my direct testimony, I highlighted issues and potential impacts to enterprise  
22 and business customers served by carriers like Level 3, including:

- 23 • How are the tiers established for “Business Fixed Voice” and what services are  
24 included in the tier for determining what portion of the bundled product falls  
25 within that tier?
- 26 • How will the Proposal be applied to end users with large volumes of telephone  
27 numbers to ensure that (1) businesses do not bear a disproportionate share of  
28 funding the NUSF, (2) that the NUSF charge remains about the same as the  
29 current charge paid by customers (no rate shock to customers), (3) that the  
30 NUSF does not create unintended consequences in customer purchasing

- 1 behavior, service augmentation or product design that might skew competitive  
2 choices available to consumers?
- 3 • That the creation of different tiers for “business fixed voice services” results in  
4 additional questions that need to be resolved, including what services are  
5 included in the tier for determining what portion of the bundled product falls  
6 within that tier? Is the breakdown of revenue for each tier meant only to  
7 include intrastate voice service revenues charged monthly? What rules will be  
8 followed for separating business customers into these tiers when they  
9 purchase integrated products and services? Can the rule set devised by the  
10 Commission for determining whether a business customer fits within a certain  
11 tier be implemented in billing systems to generate the appropriate surcharge?
  - 12 • How a connection-based proposal can avoid assessing broadband when  
13 internet and voice are bundled together, often with a single rate element?
  - 14 • As the number of “working telephone numbers” can vary from month to  
15 month for businesses that use large volumes of numbers, how would the  
16 Proposal address the variance and still achieve stability? And it is possible to  
17 account for such variances in the existing billing systems of providers?

18 Other carriers in this proceeding echoed similar concerns and added to the list of  
19 issues to work through, including:

- 20 • The connection-based assessment using telephone numbers as a proxy has a  
21 disproportionate burden on business customers.<sup>1</sup>
- 22 • The connection-based assessment would assess fees only on three of five  
23 categories of ‘connections’ identified on Table 1 of the Commission’s order.<sup>2</sup>
- 24 • The connection-based assessment has no mention of assessing the  
25 ‘connection’ fee on any dedicated facilities.<sup>3</sup>
- 26 • The connection-based assessment fails to make distinctions between simple  
27 voice lines, PBX, or Centrex trunks to ensure fair contributions from all  
28 categories of customers.<sup>4</sup>
- 29 • The connections-based assessment fails to provide definition and directions  
30 such that interpretations and discretion could result in carriers implementing it  
31 inconsistently or using discretion in which customers and products are  
32 assessed.<sup>5</sup>
- 33 • The connection-based assessment would require carriers to incur significant  
34 expenses and administrative burdens to modify billing and reporting systems,

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<sup>1</sup> Testimony of Charter Witness Gillan, p.9.

<sup>2</sup> Testimony of CTIA Witness Price, p. 29.

<sup>3</sup> Testimony of CTIA Witness Price, p. 29.

<sup>4</sup> Cox Witness Logsdon’s Testimony, p. 4

<sup>5</sup> Testimony of Windstream Witness Kreutz, p. 8

- 1 amend on-line and printed customer materials, change internal practices, and  
2 retrain customer-facing representatives.<sup>6</sup>
- 3 • The billing systems are not currently able to make customer-by-customer  
4 evaluations and surcharge applications.<sup>7</sup>
  - 5 • That even if you assume the mechanism could be billed, the ongoing  
6 operational tasks associated with a variable surcharge would be burdensome.<sup>8</sup>
  - 7 • The implementation of any new methodology will require a significant  
8 transition period (18-24 months), new data collection and reporting  
9 requirements, new systems, new analytical mechanisms, and time and  
10 expense.<sup>9</sup>
  - 11 • That implementing a system prior to the FCC's completion of its work may  
12 require additional system work, and perhaps conflicting work, once the federal  
13 changes are implemented.<sup>10</sup>
  - 14 • The Commission's proposed use of FCC Form 477, which provides 'line' and  
15 'subscriberhip' information but not number of telephone numbers or  
16 'working telephone numbers' does not provide useful connection  
17 information.<sup>11</sup>
  - 18 • The Commission's proposed use of the FCC's Form 477 lacks clarity, including  
19 how it will be used and for what purposes, how it will be used to audit  
20 remittances.<sup>12</sup>
  - 21 • How the Commission's proposed use of the FCC's Form 477 will allow it to  
22 assess connections of high volume business customers when it reports Voice  
23 Grade Equivalents?<sup>13</sup>
  - 24 • How carriers will be expected to use the FCC's Form 477 connections to count  
25 connections without burdening high-capacity circuits<sup>14</sup> given that there is no  
26 discussion of how to address speed and capacity of connections.<sup>15</sup>

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<sup>6</sup> Testimony of CTIA Witness Price, pp. 4, 27; Testimony of Cox Witness Logsdon, p. 4 (proposed methodology will require the development of new billing system capabilities to assess connections).

<sup>7</sup> Testimony of Frontier Witness Bohler, pp. 3, 7.

<sup>8</sup> Testimony of Windstream Witness Kreutz, p. 11.

<sup>9</sup> Viaero Wireless Comments, p. 4; see also Testimony of Frontier Witness Bohler, p. 8 ("This would be a significant increase both in the reporting that carries would have to submit to the Commission and in the Commission's review.") and Testimony of Charter Witness Gillan, p. 13.

<sup>10</sup> Testimony of CTIA Witness Price, p. 30. See also Testimony of Windstream Witness Kreutz, p. 11 ("Also, a change in the state assessment method will require carriers to make costly and time-consuming adjustments to their billing systems to implement two (or for multi-state carriers, potentially numerous) different mechanisms.")

<sup>11</sup> Testimony of Charter Witness Gillan, pp. 10-12.

<sup>12</sup> Testimony of Cox Witness Logsdon, p. 4.

<sup>13</sup> Testimony of Cox Witness Logsdon, p. 4.

<sup>14</sup> Testimony of Cox Witness Logsdon, p. 4.

<sup>15</sup> Viaero Wireless Comments, March 23, 2017, p. 4.

- 1           • Whether a cap should be imposed on high-capacity circuits?<sup>16</sup>

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3   **Q. HAVE THOSE CONCERNS BEEN RESOLVED BY THE NEW ALTERNATIVE PROPOSALS**  
4   **OUTLINED IN STAFF WITNESS CULLIN ROBBIN’S TESTIMONY?**

5   A. It is difficult to determine. The Staff’s three alternatives outlined in Witness  
6   Robbin’s testimony on pages 4-6 eliminate the revenue tiers set forth in the  
7   previous proposals, so the concern over classification of business customers by  
8   revenue is eliminated. The proposals now state that “all multi-line business  
9   regardless of size pay the same per connection surcharge.”<sup>17</sup> Depending on the  
10   proposal, that per connection surcharge ranges from \$6.55 to \$10.40.

11           What is not clear is whether the “per connection surcharge” is still based on  
12   working telephone numbers. If so, then I have the same concern, which has also  
13   been expressed by other carriers in this proceeding, that there isn’t a cap on the  
14   number of connections being assessed. Even at a smaller \$10.40 per connection, a  
15   business customer with 135 working telephone numbers would be assessed  
16   \$1,404 per month, which still may be substantial compared to the cost of the  
17   underlying service. Additional rate impact work needs to be done before setting a  
18   surcharge level, including consideration of capping the number of “connections”  
19   assessed per customer as well as resolving the definitional issues and other issues  
20   identified by witnesses.

21   **Q. HAVE YOU REVIEWED THE PROPOSALS OFFERED BY THE WITNESSES FOR THE**  
22   **NEBRASKA RURAL INDEPENDENT COMPANIES (RIC) AND DO YOU HAVE ANY**  
23   **COMMENTS ON THOSE PROPOSALS?**

24   A. Yes. Witness Pfister explained that RIC previously suggested a hybrid  
25   connections/revenue contribution mechanism but has re-evaluated its

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<sup>16</sup> Testimony of Cox Witness Logsdon, p. 4.

<sup>17</sup> Testimony of Staff Witness Robbins, p. 5.

1 recommendation and supports a 'pure' connections-based assessment mechanism  
2 with business connections assessed on the basis of a flat rate per-business  
3 connection.<sup>18</sup> This proposal still has definitional and interpretation problems, even  
4 between the different RIC witnesses. For example:

5 • Witness Pfister says that "the number of connections is known by the  
6 telecommunications carrier with the obligation to collect and remit the NUSF  
7 surcharge to the Commission each month."<sup>19</sup> This doesn't answer the question  
8 of whether the number of "connections" is defined consistently among  
9 carriers; whether there is a cap on the number of connections for business  
10 customers with multiple connections; and whether he is still talking about  
11 working telephone numbers because he goes on to state that the "Commission  
12 knows the number of business connections from the publicly available FCC  
13 Form 477 data."<sup>20</sup> As explained by several witnesses, the Form 477 data does  
14 not report working telephone numbers.

15 • Witness Davis states that "providers of voice and broadband services report  
16 the number of their connections for voice and broadband services to the FCC  
17 on Form 477".<sup>21</sup> Again, it is not clear if he is still talking about connections in  
18 terms of working telephone numbers, which are not reported on Form 477.  
19 Later, he states that the information on Form 477 that would be "useful" for  
20 the Commission is the "number of local exchange service lines in service to  
21 their end user customers by census tract identified by the end user customer's  
22 service address."<sup>22</sup> Again, this type of information would be helpful if the  
23 contribution mechanism was based on an access line surcharge, but my  
24 understanding of the Commission's connection-based proposal was it was

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<sup>18</sup> Testimony of RIC Witness Pfister, p. 14.

<sup>19</sup> Testimony of RIC Witness Pfister, p. 17.

<sup>20</sup> Testimony of RIC Witness Pfister, pp. 17-18.

<sup>21</sup> Testimony of RIC Witness Davis, p. 5.

<sup>22</sup> Testimony of RIC Witness Davis, p. 6.

1 based on working telephone numbers, not access lines. Access lines and Voice  
2 Grade Equivalents are not synonymous to working telephone numbers.<sup>23</sup>

3 • Witness Kranner states that “the FCC uses the term ‘subscription’, however  
4 based upon the explanation in the FCC Form 477 Instructions, that term is  
5 equivalent to a ‘connection’ as I understand the definition of ‘connection’ set  
6 forth on page 20 of the February Order.”<sup>24</sup> Again, this just points to the  
7 confusion and the need to clarify if the proposals are still basing connections  
8 on working telephone numbers or some other type of proxy for connection.

9 **Q. DO YOU HAVE A RECOMMENDATION FOR THE COMMISSION TO EVALUATE THE**  
10 **PROPOSALS?**

11 A. Yes. I recommended in my direct testimony that the Commission hold a workshop  
12 to fully vet and model the various proposals and resolve the issues outlined by the  
13 various carriers in this proceeding.

14 Then, while the parties work on developing a strategic plan via workshops to  
15 determine the size of the fund, the programs to be funded and the method for  
16 assessing contributions to the fund, the Commission can move forward with other  
17 stop-gap measures, such as adjusting the existing surcharge amounts.

18 Nebraska isn’t the only state that is seeing an erosion in assessable revenue  
19 basis or projecting that state USF remittances will decline over the next several  
20 years. I’m a member of the Indiana Oversight Committee for the Indiana USF and  
21 Indiana has addressed similar concerns. Over the last two years, the Indiana  
22 Commission saw decreases in assessable revenue of 10.72% and 12.65%, which  
23 sounds similar to the 16% decrease projected by the Nebraska Commission. The  
24 Indiana Commission responded by making small adjustments to the IUSF  
25 surcharge.

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<sup>23</sup> See FCC Form 477 Instructions, <https://transition.fcc.gov/form477/477inst.pdf>.

<sup>24</sup> Testimony of RIC Witness Kranner, p. 3.

1           While continual increases to the surcharge may not be a viable long-term  
2 strategy, I recommend the Commission consider this interim alternative that  
3 would stabilize the remittances in the fund. This action would also allow the  
4 parties additional time to work toward comprehensive reform rather than rushing  
5 to a solution that isn't fully baked. If the goal is to create a stable mechanism that  
6 is equitable and nondiscriminatory, the parties need additional time to ensure the  
7 final proposal does not result in large discrepancies in what consumers pay today  
8 versus what they would pay under the new contribution mechanism and that it  
9 does not create competitive distortions or negatively influence consumers'  
10 purchasing decisions.

11

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes.