BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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

TESTIMONY OF ROBERT LOGSDON

ON BEHALF OF

COX NERASKA TELCOM, LLC

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Public Service Commission

MARCH 24, 2017

Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

A. My name is Robert Logsdon and my business address is 11505 West Dodge Road, Omaha, NE 68154.

Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?

A. I am testifying on behalf of Cox Nebraska Telcom, LLC. Cox is certificated by this Commission to provide local exchange and interexchange telecommunications services in Nebraska. In addition, Cox has been designated by this Commission as an Eligible Telecommunications Carrier for Lifeline service. I will refer to Cox Nebraska Telcom, LLC as "Cox" throughout my testimony

Q. WHAT ARE YOUR DUTIES WITH COX AND HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY GOVERNMENTAL BODIES?

A. My duties include managing regulatory affairs for Cox in the states of Nebraska, Iowa, Idaho, Kansas, Oklahoma and Arkansas. I oversee tariff filings in these states, as well as regulatory compliance. I've testified before this Commission and the Iowa Utilities Board. I have also testified before the Nebraska Legislature's Transportation and Telecommunications Committee.

Q. PLEASE DESCRIBE YOUR RELEVANT EMPLOYMENT AND EDUCATIONAL HISTORY.

A. I earned a Bachelor of Science degree in Business Administration from the University of Nebraska, Lincoln in 1981. From 1989 to 2000, I worked at the Nebraska Public Service Commission, first in the Transportation Department and later as the Commission's Executive Director. I left the Public Service

Commission in 2000 to work for Cox and I have served as the Director of Regulatory Affairs since that time.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide information to the Commission relative to the Order entered in NUSF-100 on February 22, 2017. Specifically, Cox has concerns and/or questions regarding the billing of business customers, the calculation of business customer revenues, use of the FCC Form 477 and the consideration that has been given to the receipt of federal support by Nebraska's incumbent local exchange carriers as the Nebraska Universal Service Fund ("NUSF") was sized.

Q. BRIEFLY DESCRIBE COX AND ITS INTEREST IN THIS DOCKET.

A. Cox offers telecommunications services to residential and business customers in the Omaha metropolitan area, including voice telephone, cable television and broadband services. Cox participates in the Nebraska Telecommunications Assistance Program ("NTAP") and as such, provides discounted voice telephone services to low-income persons. In addition, Cox has been awarded funds from the Commission's Broadband Program receiving grants in NUSF-92 in 2016 and 2017 that benefit the Salvation Army, Omaha Public Schools and 75 North. Furthermore, all of Cox's customers, but for NTAP recipients, pay the NUSF surcharge.

Q. PLEASE DESCRIBE COX'S CONCERNS RELATIVE TO THE ORDER ENTERED IN NUSF-100 ON FEBRUARY 22, 2017.

A. Cox has four main points it wishes to address. The first relates to the proposed assessment on business customers. While the Commission states it intends to move to a connection-based assessment methodology, business customers are treated under a hybrid approach where monthly revenues are taken into consideration. This unduly complicates the assessment calculation. Business customers may fluctuate from one revenue band to another, thus requiring the assessment of varying surcharges on a monthly basis. Such a process will be confusing for customers, burdensome, and inordinately complicated, if not entirely impossible for billing systems to perform. Simpler, less costly or complicated methods can be adopted that will achieve the desired stability for the fund.

In the NUSF-100 Order entered February 22, 2017, the Commission sought comment on whether the Commission's proposal is easy to administer (*see* pg. 18). As it relates to business customers, the answer is an unequivocal 'no'. The methodology proposed exceeds the current capabilities of even the most sophisticated and robust billing system. Furthermore, incorporating a revenue component for business customers is not a pure connections-based approach, the stated goal of NUSF-100. If the Commission wishes to adopt a connections-based methodology, it should do so without integrating revenue tiers for business customers.

Second, if the Commission chooses to proceed using revenue tiers despite the concerns mentioned above, the Commission must explicitly set forth what business revenues are to be included in the calculation. The explanation provided in Footnote 100 is insufficient for carriers to determine how business users' revenues are to be determined. If revenue bands are going to be used, it must be clearly and widely understood what business revenues the Commission intends carriers to include. Such an explanation would obviously not be necessary should the Commission decide against assessing business customers as proposed, which is Cox's preference and recommendation.

In summary, the Commission's proposed methodology will retain all of the inherent administrative difficulties of determining which revenues are subject to the assessment, while also requiring development of new billing system capabilities to assess connections. Instead, the Commission should adopt a true connections-based method for business customers, with appropriate distinctions for simple voice lines, PBX or Centrex trunks and the like to ensure fair contributions from all categories of customers.

Third, Cox does not oppose the Commission using the FCC Form 477. However, the Commission needs to explain how the Form 477 will be used and for what purposes. Is the Form 477 a document the Commission intends to use to audit remittances? How will the Form 477 be used to assess the connections of high-volume business customers? The Form 477 calculates business customer PRIs as 23 Voice Grade Equivalents ("VGEs") and legacy T-1s as 24 VGEs. How are carriers expected to use the Form 477 to count connections without unduly burdening business customers who utilize high-capacity circuits? To avoid such a burden, should a cap be implemented? More information is needed so carriers are fully aware how their Form 477 information will be used, especially as it applies to assessing the connections of business customers. Furthermore, the Commission should explicitly acknowledge that Form 477s contains proprietary, competitively-sensitive data and as such, all Form 477 filings will be labeled confidential and not subject to public review.

The fourth and final point Cox wishes to raise is the lack of information contained in NUSF-100 acknowledging the federal support received by Nebraska's high-cost carriers. Cox, and others have long-maintained the Commission must take into consideration the significant federal sums that have, or will flow to Nebraska's incumbent local exchange carriers to properly size the NUSF. The suggested increase to the high-cost program, called the Fixed Broadband Program in NUSF-100 is massive; from a current $36.6m to a proposed $54m. Accordingly, it is not just reasonable, but essential that the Commission explicitly state how federal support has been accounted for to validate the substantial increase that has been recommended. In addition, as the FCC continues to make available additional funds from later stages of federal support from its Connect America or Remote Areas funds, the Commission should put in place methodology to evaluate concurrent reductions in NUSF support.

The Commission has previously stated the NUSF should complement the federal fund. In fact, the Commission expressly indicated its intent to coordinate with the federal fund in its proposed strategic plan in NUSF-100 via an Order entered on April 5, 2016 (*see* pg. 5). The Commission further stated in that same Order "Coordination with the federal mechanism will be the key to making efficient use of universal service support" (*see* pg. 5.)

However, the current proposal set forth in NUSF-100 is void of any details that such has occurred. Federal support from the Connect America Fund, including that associated with the upcoming competitive bidding phase, inter-carrier compensation reform, adoption of federal price floor benchmarks, a Remote Area Fund, etc. are all factors that should be taken into consideration as the NUSF is sized to meet current needs and objectives. Cox has commented previously in this docket that this important issue must be incorporated as the fund size is being determined. Such information is critical to justify the immense increase that has been suggested as necessary for the NUSF high-cost program.

Q. GIVEN COX'S CONCERNS, DO YOU HAVE ANY RECOMMENDATIONS FOR THE COMMISSION?

A. Yes. First, the Commission needs to abandon the approach it recommended for billing business customers. Not only will such a proposal cause customer confusion, it is impossible for a billing system to perform. If the Commission wishes to adopt a connections-based approach, it needs to do so without adding complicated revenue tiers, and a multitude of varying rates. Second, a Progression Order needs to be entered explaining how the Commission intends to use the Form 477, particularly as it relates to business customers, and indicate all Form 477s will be given confidential treatment. Finally, the Commission should enter a Progression Order that justifies the +$17m increase to the high-cost fund. The NUSF-100 Order lacks information showing how federal support has been taken into consideration in calculating the need of $54m for the Fixed Broadband Program.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.