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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.)**

**DIRECT TESTIMONY
OF
PAMELA HOLLICK
LEVEL 3 COMMUNICATIONS, INC.**

March 24, 2017

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH LEVEL 3**
2 **COMMUNICATIONS, INC.**

3 A. My name is Pamela Hollick and my business address is 4625 W. 86th Street,
4 Indianapolis, IN 46268. I am employed by Level 3 Communications, Inc. (“Level 3”)
5 as Associate General Counsel, State Public Policy. Level 3 is the parent company
6 of various operating companies holding authorizations to provide
7 telecommunications services in Nebraska, which include Level 3 Communications,
8 LLC, Broadwing Communications, LLC, WilTel Communications, LLC, Global
9 Crossing Telecommunications, Inc., and Level 3 Telecom Data Services, LLC.

10

11 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EMPLOYMENT**
12 **EXPERIENCE.**

13 A. I received a BA degree in Political Science and Communications from Purdue
14 University in 1990 and a Judicial Doctorate from Indiana University in 1993. After
15 passing the bar exam, I practiced law at two law firms in Indianapolis for several
16 years before accepting at position with tw telecom. I have worked in the telecom
17 industry for over 16 years, first for tw telecom and then after the acquisition of tw
18 telecom by Level 3. I represent the company managing government affairs,
19 regulatory affairs, and public policy in multiple states. I have testified before
20 various state commissions during my career on subject matters ranging from
21 universal service to wholesale and interconnection issues.

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

23 A. The purpose of my direct testimony is to respond to questions posed by the
24 Commission in its February 22, 2017 Order and Order Seeking Further Comments
25 and Setting Hearing (hereafter referred to as “Order”) in which it outlines a
26 proposal (“Proposal”) to adopt a connections-based contribution mechanism.

27 **Q. DO YOU HAVE CONCERNS WITH THE COMMISSION’S PROPOSAL?**

1 A. Yes. While Level 3 has generally supported the exploration of alternatives to the
2 revenues-based system for assessments,¹ we continue to stress that critical details
3 would need to be developed. A connections-based mechanism entails
4 complexities that have not been fully assessed because this type of connections-
5 based contribution mechanism does not exist anywhere in the country. The FCC
6 has been working on assessing those complexities and impacted parties have filed
7 comments at the FCC detailing some of those issues. I encourage the Nebraska
8 Commission to review, analyze and consider those issues and complexities
9 discussed in the FCC comments and filings, which would be the same issues faced
10 if the Commission were to implement connection-based contribution reform in
11 Nebraska.

12 My testimony highlights some of those critical details that still need to be
13 clarified in the Commission's Proposal, explains concerns about the impact on end
14 user customers who bear the burden of the surcharge, and discusses the current
15 limitations on the billing systems that would need to be modified for companies,
16 like Level 3, to accurately calculate surcharges for customers' invoices.

17 **Q. WHAT ARE YOUR CONCERNS FOR END USER CUSTOMERS SERVED BY LEVEL 3?**

18 A. The Commission's Order states that in "its determination of a rate design the
19 Commission wants to further its goal of creating an intrastate end user surcharge
20 in equitable and nondiscriminatory manner."² I am concerned that the proposal
21 outlined on Appendix A would not result in an equitable and nondiscriminatory
22 assessment on all customer classes, and could have a disproportionate impact on
23 enterprise customers, like the customers served by Level 3.

¹ See e.g. In the Matter of Universal Service Contribution Methodology, WC Docket No. 06-122, GN Docket No. 09-51, Comments of Level 3 (7/9/2012) and Level 3 Reply Comments (8/6/2012).

² Commission Order and Order Seeking Further Comments and Setting Hearing ("Order"), Application No. NUSF-100-PI-193 (2/22/2017) at page 21.

1 **Q. PLEASE DESCRIBE THE CUSTOMERS THAT LEVEL 3 SERVES THAT WILL BE**
2 **IMPACTED BY THE COMMISSION'S PROPOSAL.**

3 A. Level 3 is a Fortune 500, global telecommunications and information services
4 company which, through its operating subsidiaries, offers a wide range of
5 communications services over its broadband fiber-optic network, including IP-
6 based voice and data communications services, broadband transport, collocation
7 services, fiber and infrastructure solutions, wide-area Ethernet services, video and
8 content distribution, and data center and cloud-based solutions. Our customers
9 include carriers (like cable, wireless and internet service providers), federal and
10 state governments, educational institutions and enterprise customers like banks,
11 hospitals, pharmaceutical companies, and retail businesses.

12 I am concerned that the Commission's Proposal would have a significant
13 impact on enterprise and government customers who have large numbers of
14 telephone numbers assigned to them. The Commission proposes to identify
15 "assessable connections" based on "working telephone numbers".³ The Proposal,
16 as set forth in Appendix A to the Order, lists a connection charge for "business
17 fixed voice" with various dollar amounts, appearing to suggest that there are tiers
18 based on retail rates charged to the service, such that if the end user is billed a
19 monthly charge in that range, it is assessed the corresponding "charge". There is
20 no discussion in the Order about a cap, leading me to conclude this "charge" is per
21 telephone number assigned regardless of the amount of numbers a customer may
22 have.

23 Businesses often have surplus telephone numbers assigned to them and
24 some businesses have large volumes of telephone numbers. For example,
25 businesses may purchase additional telephone numbers so that they can retain a

³ Order at page 21.

1 4-digit dialing system as a company grows. Universities may have a large block of
2 telephone numbers associated with student dorms. Hospitals have large volumes
3 of numbers for extensions within the facility. Any business with a multi-line
4 system or high capacity facilities will have many telephone numbers associated
5 with their services, and not every number is in use at any given time but all are
6 ‘workable.’ There is nothing in the Commission’s proposal that appears to cap⁴
7 the number of “working telephone numbers” which is being proposed as a
8 surrogate to “assessable connections.”

9 As I understand the Proposal, if a bank pays \$2500 a month for its services, it
10 would fall within the tier labeled “Business Fixed Voice Service, Over \$1,000” and
11 its provider would need to bill and collect a surcharge of \$124.41 “per connection”
12 based on the Proposal in Appendix A. If the “per connection” equates to “working
13 telephone numbers”, and that same bank has 135 telephone numbers, the
14 Proposal would result in the bank paying \$16,795.35 in NUSF charges, dwarfing its
15 monthly charge for the underlying service business telecommunications service.
16 This cannot be the equitable and nondiscriminatory rate design intended by the
17 Commission.

18 If a workshop was held, the industry could better understand how the
19 Proposal is meant to be implemented and provide input on what is workable,
20 which would include addressing:

- 21 • How are the tiers established for “Business Fixed Voice” and what services are
22 included in the tier for determining what portion of the bundled product falls
23 within that tier? Is the breakdown of revenue for each tier meant only to
24 include intrastate voice service revenues charged monthly? What rules will be

⁴ This concern was noted in comments filed earlier in this docket. See *i.e.* Comments of Qwest that recommended the Commission cap the total charge or number of connections subject to the surcharge, like the cap in place on the lines subject to the TRS or 911 surcharges.

1 followed for separating business customers into these tiers when they
2 purchase integrated products and services? Can the rule set devised by the
3 Commission for determining whether a business customer fits within a certain
4 tier be implemented in billing systems to generate the appropriate surcharge?

- 5 • How will the Proposal be applied to end users with large volumes of telephone
6 numbers to ensure that (1) business do not bear a disproportionate share of
7 funding the NUSF, (2) that the NUSF charge remains about the same as the
8 current charge paid by customers (no rate shock to customers), (3) that the
9 NUSF does not create unintended consequences in customer purchasing
10 behavior, service augmentation or product design that might skew competitive
11 choices available to consumers;
- 12 • How creating different tiers for “business fixed voice services” instead of a
13 single charge per connection furthers the Commission’s goals of an equitable
14 and nondiscriminatory rate design and ease of administration;
- 15 • How a connection-based proposal can avoid assessing broadband when
16 internet and voice are bundled together, often with a single rate element;
- 17 • As the number of “working telephone numbers” can vary from month to
18 month for businesses that use large volumes of numbers, how would the
19 Proposal address the variance and still achieve stability? And it is possible to
20 account for such variances in the existing billing systems of providers?

21 We encourage the Commission to further examine the impact of the Proposal on
22 various customer classes by reviewing samples of end users bills, considering the
23 various calculations to ensure that the Proposal does not result in inequitable and
24 unintended results. If the goal is to create a stable mechanism that is equitable
25 and nondiscriminatory, it should not result in large discrepancies in what
26 consumers pay today versus what they would pay under the new contribution

1 mechanism. Nor should a change in the contribution assessment mechanism
2 create competitive distortions or influence consumer's purchasing decisions.

3 **Q. THE COMMISSION STATES ITS BELIEF THAT THE PROPOSED PLATFORM WILL BE**
4 **EASY FOR THE COMMISSION AND CARRIERS TO ADMINISTER. DO YOU AGREE?**

5 A. No, I do not. While I understand the Commission's (and the FCC's concerns) with
6 the continued reliance on a revenue-based contribution system when revenues
7 continue to decline, the current revenue-based system is easy to administer and
8 audit.

9 An assessment methodology based on "working telephone numbers" creates a
10 new set of complexities and costs. Current billing systems calculate surcharges
11 based on either revenue or access lines. Nothing in our back-office systems
12 currently associates "working telephone numbers" with the billing and invoice
13 systems that we use to generate invoices for business customers. This would require
14 modifications to several internal systems and might necessitate a manual process to
15 deal with Nebraska invoices, injecting the potential for error and delay. Every
16 company has a limited budget for IT upgrades and system improvements and those
17 budgets compete for dollars that might otherwise be invested in deploying new
18 facilities, upgrades or other capital expenditures. While I have not quantified the
19 cost associated with the changes that would need to be made, the Commission's
20 Proposal would impose significant costs for data collection, billing, and reporting
21 systems just to implement a change in a single state.

22 A workshop would allow the Commission an opportunity to gain a better
23 understanding of the billing and IT system limitations, and to consider whether the
24 costs associated with those changes justify the potential benefit of a new
25 contribution assessment method. In addition, a workshop would allow the
26 Commission to collaboratively address several implementation and definitional
27 issues, including:

- 1 • how services, like transport services, that currently are part of the revenue-based
2 contribution system would contribute under the “working telephone numbers”
3 connection assessment?
4 • how this connection-based system that uses as a proxy “working telephone
5 numbers” would be administered and audited when FCC Form 477 data does
6 not capture working telephone numbers.⁵

7

8 **Q. THE COMMISSION ASKS FOR COMMENTS ON THE SIZING OF THE FUND. DO YOU**
9 **HAVE ANY COMMENTS AT THIS TIME?**

10 A. Yes. As I mentioned above, a new contribution assessment mechanism has the
11 potential to drastically change the NUSF assessment billed to customers.
12 Increasing the size of the NUSF at the same time the Commission makes major
13 changes to the surcharge calculation seems fraught with difficulties, potential
14 customer confusion and discord. In addition, many states as well as the FCC
15 continue to grapple with broadband deployment issues, including how to deal with
16 the limitation of not assessing broadband while at the same time using those funds
17 to support broadband. We encourage the Commission to consider changes to the
18 NUSF, if any, be implemented in strategic phases.

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

20 A. Yes.

⁵ The Order states, “The use of Form 477 data will simply the Commission’s ability to determine whether remittances are complete and accurate.” Form 477 information reports access lines, which does not equate to working telephone numbers. This system might work in the residential setting where there is one telephone number for one access line going into a household. However, in the business world, single access line may support multiple telephone numbers, like a PBX system, rendering the access lines reported on Form 477 useless for determining “working telephone numbers.”