

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service Commission, on its own motion, to determine a rate design and address implementation issues with a connections-based contribution mechanism.

Application No. NUSF-111 / PI-211

COMMENTS OF QWEST CORPORATION d/b/a CENTURYLINK QC, UNITED TELEPHONE COMPANY OF THE WEST d/b/a CENTURYLINK AND LEVEL 3 COMMUNICATIONS, LLC

On December 19, 2017, the Nebraska Public Service Commission (“Commission”) issued an Order Opening Docket and Seeking Comment in the above referenced proceeding. This docket arises from the Commission’s October 31, 2017 Order in NUSF-100 adopting a connections-based contribution methodology for the Nebraska Universal Service Fund (“NUSF”).¹ In that Order, the Commission stated that it “intend[s] to open a separate proceeding to study the issue of rate design, utilization of the publicly available Form 477 or TRS data for identifying and capping connections, and the costs associated with implementation of the connections-based mechanism.”² Qwest Corporation d/b/a CenturyLink QC, United Telephone Company of the West d/b/a CenturyLink, and Level 3 Communications, LLC³ (collectively, “CenturyLink”) respectfully file these comments in response to the Commission’s request.

I. GENERAL COMMENTS

Before responding to the questions that the Commission asks in its request for comments, CenturyLink would like to provide some general comments. The Commission’s request for comments is very broad, looking for detailed information regarding rate design, sources of information, and

¹ See 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/PI-193, page 28 (“...the Commission is of the opinion and finds the best alternative is to adopt a connections-based contribution mechanism.”)

² *Ibid*, page 33.

³ Level 3 Communications, Inc. was acquired by CenturyLink on November 1, 2017. CenturyLink is now-the parent company of the former Level 3 companies that provide telecommunications services in Nebraska.

implementation issues. CenturyLink is concerned that seeking such significant amounts of data and comments on such a diverse set of issues at the same time and in one docket may cause unnecessary confusion and slow the Commission's efforts to transition to a connections-based contributions mechanism. CenturyLink recommends the Commission consider limiting the current docket to rate design for the proposed connections-based contribution method and open additional dockets where the Commission can consider, on a concurrent basis, data sources for information needed to establish the connections-based contribution mechanism (both initially and future rate adjustments), implementation issues and how to surmount those problems, and setting the correct size of the NUSF.

II. RATE DESIGN

The Commission first asks commenters to file proposed rate design models for the Commission to consider. CenturyLink encourages the Commission to keep the rate design simple and ensure the calculations to determine the surcharges be as transparent as possible. There is no need to create a complicated rate design with different surcharges for residential or business customers, wireless or wireline, or size of customer. CenturyLink recommends the Commission calculate the annual surcharge by simply dividing the NUSF required funding amount by the number of assessable connections.⁴ As explained further under the "Data Sources" section of these comments, CenturyLink recommends the Commission establish an annual report from all carriers from which it can determine the number of assessable connections. CenturyLink's recommended rate design achieves the Commission's NUSF statutory goals in creating a specific, predictable, sufficient, and competitively neutral contribution mechanism.

⁴ There will be a difference between total connections and assessable connections due to the cap on the number of connections upon which a single customer would be required to pay. See comments below. In addition, NTAP customers are currently excluded from paying the NUSF surcharge and CenturyLink assumes that exemption will continue in the future.

The Commission asks that the proposed rate design balance the surcharge with the requirement that the NUSF provide reasonably comparable access to telecommunications and advanced services in rural areas of the state. CenturyLink submits that, while it is important to ensure that Nebraska citizens and businesses, who ultimately pay the NUSF surcharge, are not burdened by creating a surcharge that is too high, it is too early in the process to determine what is considered “too high”. By virtue of the significant change in the NUSF surcharge mechanism, some citizens and businesses may pay a higher surcharge under the new structure while others may pay a lower surcharge than they do now. The Commission, therefore, must ensure that the Nebraska citizens and businesses *as a whole* are not unduly burdened by the new surcharge.

In addition, the Commission cannot assess whether a proposed rate design achieves this balance prior to making a determination on the size of the fund. And before the Commission can determine the appropriate size of the fund, it must decide on the purpose of the fund. Is the fund to be used only for the deployment of broadband in rural areas of the state? Will the fund continue to support both wireline and wireless projects? Should the fund also be used to help offset the high cost of operating and maintaining the network in sparsely populated rural areas? What other programs (telehealth, low income, etc.) does the Commission plan to continue, and, if so, at what levels? These answers are critical to determining the overall size of the fund and the final rate design.

The Commission further asks for comments on how to design the contribution mechanism considering the estimated costs to deploy broadband service to the remaining areas of Nebraska and the ongoing costs to maintain areas that are already built out. CenturyLink believes that ongoing costs in rural areas should continue to be supported. However, the issue of costs should be considered as the Commission determines the appropriate size of the NUSF going forward and the budgets for the individual programs within the NUSF.

The Commission notes that several parties stated during the workshop and hearing in NUSF-100 that some large business customers could experience significant increases in the NUSF surcharge paid because of the change to a connections-based mechanism. CenturyLink advocated as part of NUSF-100 to cap the number of connections⁵ on which a business is assessed the NUSF surcharge, similar to what is done currently for the TRS and 911 surcharges. Doing so will ensure that large businesses are not disproportionately burdened under the new NUSF rate design.

Finally, the Commission seeks information on the average monthly NUSF contribution that residential and business customers pay currently and what the surcharge would need to be under the new connections-based surcharge. CenturyLink has a significant concern with this request. It is difficult to determine what the “average” customer currently contributes to the NUSF because customers can purchase many different services that can be subject to the current NUSF surcharge. This is especially true of business customers, that can range from small “Mom and Pop” business customers that may subscribe to one or two lines and few calling features to large enterprise customers that have thousands of lines and subscribe to a significant number of calling features. Therefore, calculating an “average” NUSF contribution that residential and business customers pay currently may not necessarily help the Commission determine the appropriate level of the surcharge under a connections-based methodology. Further, CenturyLink anticipates that the responses and the methodology of calculating responses from all the entities remitting receipts to the NUSF will be uneven at best, which will result in the Commission having incomplete and potentially misleading information regarding the NUSF contributions that are made currently. CenturyLink recommends the Commission issue a data request on all carriers currently collecting and remitting NUSF contributions and request the information needed for the Commission to accurately determine the “average” NUSF contribution being made today that can be provided to the

⁵ CenturyLink recommends the cap be determined by billed telephone number. For example, an invoice for a billed telephone number for an enterprise customer may include 200 connections, but only customer would only be charged the NUSF for 100 connections under the cap.

Commission under confidentiality provisions. The information the Commission should consider requesting includes: 1) 2017 NUSF contributions remitted; 2) 2017 NUSF assessable revenues, broken down between business and residential; 3) 2017 access lines, broken down between business and residential; and 4) 2017 assessable connections.⁶

III. DATA SOURCES

The Commission seeks information on how connections data from the FCC Form 477 reports were used in determining the “average” NUSF contributions and what other state-wide information the Commission may consider. CenturyLink does not believe that the FCC Form 477 report represents an appropriate source for determining the number of connections in the state, nor that it is even necessary for the Commission to utilize. Often companies will file the FCC Form 477 report on a consolidated basis, making it difficult to determine the number of connections that are attributable to any single state. In addition, there may be other reporting differences in the information provided in the FCC Form 477 report compared to an NUSF report, which could impact the calculation of a connections based NUSF surcharge. Further, the Commission would be unable to use the FCC Form 477 report to determine the number of connections that are exempted from the NUSF surcharge due to the single customer assessment cap or NTAP. Finally, there is a significant time lag in the issuance of FCC Form 477 data that is troublesome for the calculation and implementation of NUSF surcharges. For example, carriers provided data for December 31, 2016 to the FCC by March 1, 2017. The FCC compiled the information and made the data available to the public on November 16, 2017, more than 11 months after the month for which the data was reported. Assuming the Commission continues to evaluate and adjust the NUSF surcharge (if needed) on July 1 of each year, the Commission would likely utilize December 2016 data to calculate NUSF

⁶ As noted in footnote 3 above, assessable connections would exclude connections that exceeded the single customer cap and NTAP connections.

surcharges that would be effective from July 2018 through June 2019. These issues make the use of the FCC Form 477 report an inappropriate source for current connections.

CenturyLink believes that it is not necessary to utilize an outside data source for the information needed to calculate the connections-based NUSF surcharge. All the information the Commission needs already exists in the billing systems of the carriers currently collecting and remitting the NUSF surcharge. CenturyLink recommends the Commission establish an annual report for all carriers collecting and remitting funds to the NUSF that provides the information requested above. With that information in hand from all remitting carriers, the Commission can accurately calculate the NUSF connections-based surcharge to achieve the level of NUSF contributions required.

IV. IMPLEMENTATION

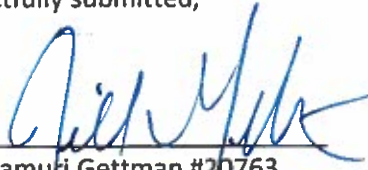
The Commission seeks information from carriers regarding the costs and time needed to implement the required changes to the billing system to implement a connections-based contribution mechanism. It is difficult at this time to accurately estimate the time and costs associated with the billing changes because there is much that is still unknown regarding the rate design. The more complicated the rate design, the more time and money will be needed to implement the billing changes. If the rate design adopted by the Commission is complicated, as, for example the original Staff proposal, with different surcharges for different business customers based on either number of connections or revenues, it may not be possible to make the necessary billing changes to bill the new NUSF surcharge.

CenturyLink recommends the Commission consider adding the connections-based NUSF surcharge to the current TRS surcharge. Doing so will have two distinct advantages. First, the current TRS surcharge is capped at the first 100 lines, which will ensure that large business customers will not be unfairly burdened with a significant increase in NUSF contributions. Second, the billing changes to add the NUSF surcharge to the TRS surcharge will be minimal, making the time and cost to make the change and implement the new surcharge much more manageable. Should the Commission decide against

utilizing the current TRS surcharge as the vehicle for implementing the new connections-based NUSF surcharge, the time needed to make the changes to CenturyLink's billing systems can take 6-12 months, and possibly longer depending on the complexity, and run into the hundreds of thousands of dollars. In addition, the Commission should determine a cost recovery mechanism for carriers that must make the significant changes to their billing systems to accommodate the new connections-based NUSF surcharge.

Dated January 30, 2018

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 30th day of January, 2018, a true and correct copy of the foregoing was delivered to the following:

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