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

INITIAL COMMENTS OF WINDSTREAM

Windstream Nebraska, Inc. and its affiliates ("Windstream")\(^1\) hereby respectfully file these comments as permitted by the Order Opening Docket and Seeking Comment (the "Order") issued by the Nebraska Public Service Commission ("Commission") on December 19, 2017, and state as follows:

I. Introduction

Windstream applauds the Commission's decision to adopt a connections-based methodology to provide a stable source of funding for the Nebraska Universal Service Fund ("NUSF") and to open this docket to consider rate design, data sources, and implementation. Consistent with our advocacy in the NUSF-100 docket, Windstream supports a uniform per-connection charge and a cap on assessable business lines. Such a mechanism is currently used to calculate the state's Telecommunications Relay System ("TRS") surcharge.\(^2\) With the definitional refinements already adopted by the


\(^2\) See R.R.S. Neb. § 86-313.

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Commission, Windstream believes that a uniform, capped, per-connection mechanism similar to the TRS surcharge (for the purposes of these comments, a "UCC Mechanism") would meet statutory requirements, promote competitive neutrality, mitigate against negative impacts on businesses, and be relatively easy to implement.

II. Responses to the Commission’s Questions

The following comments are in response to, and organized in accordance with, the specific, numbered questions raised by the Commission in the Order:

1. A UCC Mechanism Will Be Specific, Predictable, Sufficient, and Competitively Neutral.

By Nebraska statute, universal service mechanisms must be “specific, predictable, and sufficient.” In its October 31, 2017 Order in Application No. NUSF-100/PI-193 (the “October 31, 2017 Order”), the Commission determined that a connections-based mechanism “is the best option to preserve and advance universal service consistent with the purpose and requirements of [this statute].” In particular, a UCC Mechanism, as proposed by Windstream, would meet these requirements as follows:

   a. Specific: A UCC Mechanism would need to specifically identify the following elements: (i) the rate to be uniformly applied to all applicable connections; (ii) the maximum number of assessable connections per subscriber; and (iii) the types of connections that are assessable. The first two elements are a matter of rate design (see Paragraphs 4 and 5 below), and the third has already been addressed by the Commission

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3 R.R.S. Neb. § 86-323(5).

4 October 31, 2017 Order at 28.
through its definitions of “connection” and “assessable service” and a related clarification provided in the October 31, 2017 Order, as discussed below.

First, the Commission defined a “connection” as follows: “A wired line or wireless channel used to provide end users with access to any assessable service.”5 Second, the Commission defined an “assessable service” as “a service which allow a connection to other networks through inter-network routing as a means to provide telecommunications.”6 Finally, the Commission has made it clear that these definitions are intended to exclude broadband internet access service (“BIAS”).7 These definitions and clarification, while not inconsistent with the TRS surcharge mechanism,8 are more specific than the TRS surcharge mechanism. They make it clear that the proposed connections-based surcharge will be applicable to landline and wireless voice connections and Voice Over Internet Protocol (“VoIP”) connections. As a practical matter, though, it would be helpful if the Commission would adopt a guide that fleshes out even more detail regarding the counting of connections. Preferably, this would take the form of a matrix that lists provisioning types and associated counting instructions.9 As a starting point, the Form 477 definitions (see Attachment A to these comments) and instructions10 provide good guidance. For example, (substituting the word “connection”

5 October 31, 2017 Order at 30.
6 Id. at 30-31.
7 Id at 30.
8 The TRS surcharge is assessed on “each telephone number or functional equivalent.” R.R.S. Neb. § 86-313.
9 Procedurally, we recommend that the Commission propose a matrix for comment. For consistency, the matrix could also be made applicable to the TRS surcharge.
10 The Form 477 instructions are available at https://transition.fcc.gov/form477/477inst.pdf.
for “line”) the definitions specify that connections be counted on a voice-grade equivalent basis and only activated, charged-for channels (as opposed to theoretical capacity) should be counted for channelized service. However, these definitions should not be adopted in this proceeding in their entirety. The Form 477 definitions were developed for tracking subscriptions nationwide, whereas the purpose of this proceeding is to determine what types of connections should contribute to support the NUSF. As an example, for Form 477 purposes, wholesale providers report UNE loops and resold connections; however, for NUSF surcharge purposes, wholesale connections would not be assessed a NUSF surcharge since the surcharge is generally collected from the retail customer.

b. **Predictable:** The Commission has already found that the number of connections has remained stable while assessable revenues have been declining. A UCC Mechanism based on stable connections will provide more predictability than the current revenues-based mechanism. Multi-year TRS receipts provide a good example. As demonstrated on Attachment B to these comments, these results trend predictably.

c. **Sufficient:** Sufficiency is a matter of designing a rate that supports the budget. Please see Windstream’s calculations in Paragraph 5. As mentioned earlier, the surcharge rate can be adjusted in the future to meet a revised budget.

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11 See Attachment A at 1.

12 See id.

13 October 31, 2017 Order at 8, citing the Commission’s April 5, 2016 order in the same docket.

14 Id. at 28.

d. **Competitively-Neutral:** The first step in designing a competitively-neutral per-connection surcharge is to define the assessable base in a technology-neutral fashion. As discussed above, the Commission has already done this. It is also important to assess the same surcharge rate on connections regardless of technology. In contrast to Staff’s original proposal, Windstream proposes that the surcharge be uniform across all technology types. As a related matter, the same rate should also be applied without reference to customer class. In other words, residential and business subscribers should be charged the same per-connection charge. Additional weighting for business and government customers would create unreasonable increases for those with multiple connections. (See Attachment C to these comments, the scenario labeled “Staff Alternative 1 Weighting/No Line Cap”).

2. **Rate Design Should be Based on the Existing NUSF Budget**

The Commission seeks comment on a proposed rate design that will reasonably balance the burden of the surcharge with the requirement that the NUSF provide reasonably comparable access to telecommunications and advanced communications services in rural high-cost areas. This is essentially an inquiry about universal service need and the appropriate size of the fund. As NUSF surcharge revenues continue to decline, it is critical that the Commission move forward with the implementation of a connections-based mechanism without revisiting the universal service need at the same time. The latter is also important, and it deserves to be the focus of a separate, subsequent docket. Once the connections-based surcharge is implemented, it can be adjusted to meet a revised budget that matches the Commission-determined objectives of the fund.
3. **Broadband Deployment and Maintenance Costs Should be Examined in a Separate Docket**

The Commission seeks comment on the merits of the Benchmark Cost Proxy Model and the State Broadband Cost Model for estimating broadband deployment and maintenance costs. As with the overall budget issue, this issue is beyond the scope of this proceeding and should be examined in a separate docket.

4. **A Cap on Assessable Connections is Needed to Mitigate the Impact of a Connections-Based Surcharge on Multi-Line Business Customers.**

A key component of Windstream’s proposed UCC Mechanism is a cap on the number of assessable connections per subscriber. It is inevitable that a change in methodology will cause some subscribers to pay more and some to pay less. To smooth out extreme consequences to subscribers with a very large number of connections (i.e. large business and government subscribers), a cap on the number of assessable connections per subscriber is needed. To understand the potential impact to business multi-line customers, Windstream analyzed the surcharge results for certain business customers both with and without a cap on the assessable connections.\(^{16}\) As an example, Windstream serves a customer with a current monthly surcharge amount of [BEGIN CONFIDENTIAL]...

\[^{16}\text{For this analysis, Windstream assumed a simple, per-connection surcharge of $1.44, which was calculated using Staff Direct Testimony dated 3/24/17, Excel Inputs Table showing 2016 Funding $43,934,096 divided by 2015 Estimated Connections of 2,614,000 net of uncollectible 2,540,000 equal $1.44 per month.}\]

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multi-line businesses have a wide range of services they purchase and wide ranges of connections. For this reason, Windstream supports the adoption of some form of cap per subscriber similar to the TRS surcharge.

5. **Windstream Data Supports the Adoption of a Uniform, Capped, Per-Connection Mechanism**

The Commission seeks data comparing the NUSF contributions by customer type under the existing revenues-based mechanism and under the a per-connection mechanism. For the per-connection mechanism, Windstream makes the following assumptions:

- Fund Size: $43,934,096 funding level for 2016.
- Average Connection Fee: $1.44 per month.
- No Weighting by Customer Class: mobile, fixed wireline both residential and business pay same per connection amount.
- No cap on number of connections per account.

*Average Monthly Surcharge by Customer Type: [BEGIN CONFIDENTIAL]*

*[BEGIN CONFIDENTIAL]*

*[END CONFIDENTIAL]* It needs to be noted that there is a wide range of variation for business customers, especially multi-line customers, when converting to a connections method. Customers that purchase few access lines but a lot of other services, such as private line services would generally see reductions. However, customers that purchase
large number of access lines, such as Centrex customers, would see significant increases.

In addition to the above, Windstream in Attachment C provides a table of various rate design scenarios regarding customer type weightings and connection caps. The analysis compares no customer weightings to the Alternative 1 weightings presented in Staff’s Direct Testimony and each of these scenarios with no connection customer cap and a customer cap of 100 connections (the TRS method). This analysis demonstrates the significant variation on customer types and individual customers depending on how the rate design is implemented.

c. **Wireless:** Windstream does not provide wireless service.

6. **Form 477 Instructions and Data are a Helpful but Limited Resource**

As discussed above, the Form 477 definitions provide a good starting point for defining assessable connections, and Windstream’s billing data is consistent with Form 477 classifications. However, reported Form 477 data is not suitable for deriving the amount of the surcharge, which requires accurate and current data. Due to expected differences in the types of connections that are counted for Form 477 purposes versus NUSF purposes, reported Form 477 data will not be accurate for NUSF purposes. In addition, the information is reported semi-annually in arrears, so it is not current. Moreover, the FCC is considering a change to annual reporting, making this data even less useful for determining a surcharge for future collection.

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7. **The Commission Should Seek Precise and Current Data from Carriers**

The Commission asked whether a statewide source other than Form 477 data would be appropriate for implementing the surcharge. Considering that the TRS surcharge is the model for Windstream's proposed UCC Mechanism, TRS data would be helpful. However, the best data source, in terms of precision and currency, would be responses to a Commission data request issued specifically for the purpose of calculating the surcharge. We recommend that the Commission issue the matrix described in Paragraph 1.a above, with room to populate line counts as of a specific, recent date.

8. **A UCC Mechanism Should be Implemented on a Flash-Cut Basis after a Reasonable Implementation Period.**

Generally speaking, the clearer the details of the new surcharge mechanism are, the easier it will be to implement the mechanism correctly. Considering that the bulk of the work and cost of implementation will occur in connection with the conversion itself, the conversion should only be done once. Accordingly, Windstream opposes any sort of hybrid implementation.

9. **The Cost of Implementing a UCC Using TRS Parameters Would be Significantly Less Than Implementing Any Other Mechanism**

For most companies, the implementation of a surcharge change would be done by existing, internal billing personnel, and there would be little additional external cost incurred. However, work performed by existing personnel does have an opportunity cost, meaning all time dedicated to a surcharge billing conversion takes away time that would be spent pursuing other company objectives and priorities. It's difficult to provide a
calculation of this opportunity cost. However, companies that use an outside vendor
would be able to provide estimates. In any event, the Commission should be sensitive to
all companies’ concerns, which may vary. Overall, Windstream believes that providing
specific and detailed guidelines on what connections should be assessed and requiring
only one conversion would be of general benefit.

10. The Commission Should Adopt a Three to Nine Month Implementation Period

The timeframe needed to convert from a revenue-based surcharge to a
connections-based surcharge will depend on the nature of the mechanism. Even if the
surcharge is modeled identical to the TRS Mechanism, a minimum of three months is
needed. Any other surcharge method adopted would require six to nine months’ time due
to the requirement to develop connection counts at a customer level, perform testing for
accuracy, and balance this work while still juggling other on-going projects required by
the business.

III. Summary

For the reasons stated above, Windstream urges the Commission to adopt a
uniform, capped, per-connection NUSF surcharge mechanism similar to the TRS
surcharge in an amount sufficient to meet the current NUSF budget. In addition, the
Commission should provide an implementation period of at least three to nine months,
depending on the nature of the mechanism.
Respectfully submitted,

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Attorneys For Windstream

Certificate of Service
The undersigned hereby certifies that on this 30th day of January, 2018, five (5) paper copies of the foregoing Initial Comments of Windstream were hand-delivered to the Nebraska Public Service Commission at 1200 N St. #300, Lincoln, NE 68508 and an electronic copy was emailed to the following:

Cullen.Robbins@nebraska.gov

Brandy.Zierott@nebraska.gov

/s/ Blake E. Johnson
Blake E. Johnson
What Do These Terms Mean?

Local Exchange Telephone Service

Local exchange or exchange access services allow end users to originate and/or terminate local telephone calls on the public switched telephone network, whether used by the end user for voice telephone calls or for other types of calls carried over the public switched telephone network (for example, lines connected to facsimile equipment or lines used occasionally or exclusively for dial-up connection to the Internet). Local exchange telephone service uses Time Division Multiplexing (TDM) format to transmit voice calls between the end-user customer’s ordinary wired or cordless telephone and the telecommunications network—and within-network conversion of voice calls into IP packet format for transport (“IP-in-the-middle”) is not relevant. Note that a single end-user customer service cannot be both local exchange telephone service and interconnected VoIP service.

How to count end-user customer lines: Local exchange telephone service lines that you (including your sales agents) sell to your end-user customers must be counted up by census tract (see “How to locate end-user customer lines,” below). Count these lines in voice-grade equivalents (VGEs) based on the service that the end-user customer has bought. Count as one voice-grade equivalent line: traditional analog POTS lines, Centrex-CO extensions, and Centrex-CU trunks. When the end-user customer has bought channelized service, report VGEs of the activated, charged-for channels and do not report the theoretical capacity of the underlying circuit. Examples: Count Basic Rate Integrated (BRI) Services Digital Network (ISDN) lines as two voice-grade equivalent lines. Count fully-channelized PRI circuits (including PRIs that are used exclusively to provide local connectivity to dial-up ISPs) as 23 voice-grade equivalent lines. But report, for example, 8 voice-grade equivalent lines if a customer is charged for 8 trunks that happen to be provisioned over a DS1 circuit. If a customer is charged for a fully-channelized DS1 circuit, however, report 24 voice-grade equivalent lines.

How to locate end-user customer lines: Assign a local exchange line to the census tract where the line terminates at your end-user customer’s premises (home, office, or other building)—that is, locate the line by using the service address and not the billing address, if the two addresses differ.

How to count local exchange lines provided to unaffiliated carriers for resale: Local exchange carriers that sell local exchange service lines to unaffiliated local exchange carriers for resale under the unaffiliated carrier’s own brand name must count these up at the state level. (Your sales agents, if you have any, are not unaffiliated carriers.) These service lines must be counted in VGEs based on the service that the unaffiliated carrier has bought for resale (see the examples of counting end-user customer lines, above). Also, some incumbent LECs lease unbundled network element loops (UNE-L) to unaffiliated competitive LECs. (UNE-L are provided at special regulated prices.) These incumbent LECs must count up the leased UNE-L by state. The UNE-L must be counted as the number of UNE-L circuits sold, irrespective of the circuit’s capacity, and not converted to VGEs. Example: Both a DS0 (single “POTS” line) UNE-L and a DS1 (“T1” capacity UNE-L) count as 1 UNE-L.

Interconnected VoIP Service

Interconnected VoIP service is a service that: (1) enables real-time, two-way voice communications; (2) requires a broadband connection from the user’s location; (3) requires Internet-protocol compatible customer premises equipment; and (4) permits users generally to receive calls that originate on the public switched telephone network and to terminate calls to the public switched telephone network. See 47 C.F.R. § 9.3. Interconnected VoIP service uses IP packet format to transmit voice calls between the end-
user customer’s specialized equipment (such as an IP telephone or TDM-to-IP converter device) and the telecommunications network. As noted above, a single end-user customer service cannot be both interconnected VoIP service and local exchange telephone service.

**How to count end-user interconnected VoIP subscriptions:** Interconnected VoIP subscriptions that you (including your sales agents) sell to your end-user customers must be counted up by census tract (see “How to locate interconnected VoIP service subscriptions,” below). Count the maximum number of interconnected VoIP calls that the end-user customer may have active—at the same time (that is, simultaneously)—between the customer’s physical location and the public switched telephone network. The maximum number of such calls may be set out under the terms of service agreements with business, institutional, or government customers, or it may be determined by some other method that best reflects customer needs and requirements. For example, providers that market against traditional business telephone systems should be able reliably to estimate what their customer’s requirements would be for trunks between traditional PBX and the telephone company. In the Explanation and Comments section of the form, filers must describe the method used to determine the maximum number of simultaneous interconnected VoIP calls.

**How to locate end-user interconnected VoIP subscriptions:** If you (including affiliates and sales agents) sell interconnected VoIP service to an end-user customer and also supply that customer with (that is, sell to that customer) the high-capacity connection that delivers the interconnected VoIP service, then assign the interconnected VoIP subscription to the census tract where the high-capacity connection terminates at the end user’s premises. However, if you (including affiliates and sales agents) sell interconnected VoIP to an end-user customer on an over-the-top (bring-your-own-broadband) basis, assign that interconnected VoIP subscription to a census tract according to the subscriber’s Registered Location on the as-of date associated with the form (either June 30 or December 31). Registered Location is the most recent information obtained by the Interconnected VoIP provider that identifies the physical location of the end user. See 47 C.F.R. § 9.3.

**Interconnected VoIP sold on a wholesale basis to other interconnected VoIP providers.** There is no question on the current Form 477 about interconnected VoIP service that is sold to unaffiliated VoIP service providers for rebranding and resale under those service providers’ own brand names.

**Census Tract**

Census tracts are “small, relatively permanent statistical subdivisions of a county or equivalent entity” with a target population of 4,000 and a range of between 1,200 and 8,000 people.¹ Because population is targeted, the area of census tracts varies widely. While there are 236 counties that contain a single tract, Los Angeles County, CA is divided into over 2,300 tracts. For more information see, How Should I Format My Fixed Voice Subscription Data? and More About Census Tracts.

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What Do These Terms Mean?

Facilities-based provider

A mobile wireless voice service provider is considered "facilities-based" if it serves a subscriber using the provider's own facilities and spectrum for which it holds a license that it manages, or for which it has obtained the right to use via a spectrum leasing arrangement. Note that the facilities-based provider may—or may not—sell the service directly to the end user.

Mobile voice service

A mobile voice service is a real-time, two-way switched voice service that is interconnected with the public switched network using an in-network switching facility that enables the provider to reuse frequencies and accomplish seamless handoff of subscriber calls. See 47 C.F.R. § 20.15(b)(1).

End user

An end user is a subscriber to commercially-available mobile voice service.

Zipped shapefile

A shapefile is a vector data storage format for storing the location, shape, and attributes of geographic features. In other words, it's a group of files that depict a map and store the associated data. A shapefile at a minimum consists of a Main file (.shp), an Index file (.shx), and a dBASE table (.dbf). To upload a shapefile to the Form 477 database, the collection of files must be zipped together. For more information see, "How Should I format My Mobile Voice Deployment data?"

Voice network coverage

Mobile voice providers should submit polygons representing geographic coverage nationwide (including U.S. territories) for each voice transmission technology deployed in each frequency band. The polygons should reflect commercially-available voice service, where subscribers can expect to make, maintain, and receive voice calls with a mobile device. A variation in technology or frequency band would require the submission of a separate polygon. For more information please see, How Should I Format My Mobile Voice Deployment Data?
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<td>Meet with Project Team to review progress</td>
</tr>
<tr>
<td>2/25/2020</td>
<td>10:00 AM</td>
<td>Discuss budget considerations with finance team</td>
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<td>Attend training session on data analysis software</td>
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<td>1:00 PM</td>
<td>Meet with legal team to review contract amendments</td>
</tr>
<tr>
<td>2/25/2020</td>
<td>2:00 PM</td>
<td>Review project timeline and adjust as necessary</td>
</tr>
<tr>
<td>2/25/2020</td>
<td>3:00 PM</td>
<td>Conduct project status meeting with stakeholders</td>
</tr>
<tr>
<td>2/25/2020</td>
<td>4:00 PM</td>
<td>Update project management software with new data</td>
</tr>
<tr>
<td>2/25/2020</td>
<td>5:00 PM</td>
<td>Finish day with a review of today's achievements and next steps</td>
</tr>
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**Communications: Important Notes**

- Ensure all communications are clear and concise.
- Use appropriate channels for each type of communication.
- Confirm receipt and understanding of all communications.

**Selected Personnel Minutes (Session Number/General Communication Minutes)**

- Discuss project updates and any issues that need attention.
- Review minutes from previous meeting.
- Address any updates or changes to the project plan.
- Ensure all team members are aware of their responsibilities.

**Important Reminders**

- Follow up on open items from previous meetings.
- Schedule next meeting.
- Review project timeline and adjust as necessary.
<table>
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**Selected Historical Statistics (Sessions Minutes/Year and Conversion Minutes)**

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**Communications Relay Service**