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

COMMENTS OF CITIZENS TELECOMMUNICATIONS COMPANY OF NEBRASKA D/B/A FRONTIER COMMUNICATIONS OF NEBRASKA

On December 19, 2017, the Nebraska Public Service Commission (the "Commission") issued its *Order Opening Docket and Seeking Comment* ("December 19 Order"), opening the above-captioned proceeding to determine an appropriate rate design for a rational connections-based contribution mechanism and address implementation issues associated with changing the contribution methodology. In the December 19 Order, the Commission invited parties to comment on several aspects of this matter. Citizens Telecommunications Company of Nebraska, Inc. d/b/a Frontier Communications of Nebraska ("Frontier") files the following Comments in response to the December 19 Order.

Rate Design

The per-connection mechanism adopted by the Commission should include several aspects: a single identical surcharge amount per connection for all technologies (wireline, wireless, VoIP), a reasonable relationship between the residential surcharge amount and the business surcharge amount, and a cap on the total number of surcharges that can be assessed to a single customer at a single service location.

It is important for the per-connection mechanism to be technology-neutral, and assess the same surcharge amount on all connections. The growth of wireless connections and the substitution by customers of wireless connections for wireline connections is likely a contributing factor to the revenue shortfalls experienced by the NUSF in recent years. Hence, it is imperative that the support for the NUSF is the same regardless of whether the customer is using a wireline, wireless, or VoIP connection. Such an approach will insulate the NUSF from customers' switching between service technologies, as well as treating all carriers similarly regardless of the technology they employ to provide service.

Historically, services for business customers have been priced higher than similar services designated as residential services. Doing so helped in the effort to keep residential service prices widely affordable. The rationale for this difference includes the thought that businesses value the service more highly and that businesses are better able to support a higher price. While these rationalizations may continue to be true, it is important to note that businesses may have more communications options than residential customers. If the cost of this higher business pricing is perceived to be burdensome, businesses may be able to transition as least part of their communications needs to other, "non-telecommunications" products that are outside the Commission's reach. Thus to avoid the possibly of businesses' dropping telecommunications connections (and the NUSF support that those connections would generate), care should be taken to fairly allocate the costs of the NUSF support.

In addition, some enterprise business customers subscribe to large numbers of lines at their locations (large businesses, call centers, etc.) Assessing an NUSF surcharge to each and every line (perhaps at a business surcharge amount that is in excess of the residential surcharge amount), could impose large costs on these businesses. Large costs of this sort could cause those businesses to rethink their communications purchases and perhaps even induce them to consider moving out of state. Thus, it would be reasonable to cap or limit a particular business's exposure to these NUSF assessments. This could be done by capping the number of lines that are assessed the NUSF surcharge, or some similar arrangement. The existing Telephone Relay Service ("TRS") surcharge framework provides an example of this. The TRS assessment is limited to the first 100 lines per subscriber. Thus, a business customer with 200 lines would only be assessed on 100 of those lines, which limits the costs to a reasonable amount.

Referring back to the figures provided in the Commission's February 22, 2017 order in NUSF-100[1], a rough outline of a reasonable assessment framework can be laid out. In that

[1] Docket NUSF-100, *Order and Order Seeking Further Comments and Setting Hearings*, issued February 22, 2017, page 22.

Order, the Commission estimated total 2015 Nebraska connections to be 2,614,000[2]. No doubt actual connection counts today are different and it is understood that the Commission will be determining the desired overall NUSF size at a later date, but this estimate will serve for illustrative purposes. Using a single standard monthly surcharge of $1.50 per connection would generate approximately $47 million per year. Alternatively, given the parameters discussed above[3], a monthly residential (and wireless) surcharge of $1.50 per connection and a monthly business surcharge of $2 per connection would generate nearly $50 million per year. By way of comparison, a $1.50 residential surcharge and $2 business surcharge would be less than what Frontier's customers are currently contributing, on a per-line basis.

Data Sources

As the Commission designs a new per-connection mechanism, it will need a baseline count of assessable connections that would be subject to the per-connection surcharge. While the Commission could obtain this data directly from carriers via a specific data request, the information provided by carriers on the Federal Communications Commission's Form 477 could also serve as a foundation. The Form 477 approach has the advantage of using existing reporting, and not requiring carriers to perform an ad hoc report in response to a data request specific to this docket. While there may be differences in what exactly what qualifies as a connection under the Form 477 definitions and what the Commission ultimately defines as an assessable connection, the impact of those differences should be relatively minor in the overall scheme.

If the on-going remittance reporting associated with the new per-connection mechanism includes both revenue and connection count information, then there will be no need for another wholesale recalibration of connection counts. Rather, as experience is gained under the new framework, the Commission can adjust the surcharge level to compensate for its desired overall

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[2] 242,000 residential wireline connections; 113,000 residential VoIP connections; 263,000 business wireline connections; 110,000 business VoIP connections; and 1,886,000 wireless connections.

[3] A single identical surcharge amount per connection for all technologies, a reasonable relationship between the residential surcharge amount and the business surcharge amount, and a cap on the total number of surcharges that can be assessed to a single customer at a single service location.

NUSF size and any variances from anticipated connection counts. Having the FCC Form 477 as a benchmark, the Commission will be able to review individual carrier reporting to identify any discrepancies.

Implementation

Implementing a new surcharge can always lead to anticipated and unanticipated difficulties and costs. However, if the Commission adopts a per-connection mechanism that mimics an already existing Nebraska item (such as the TRS surcharge or 911 assessments), implementation problems should be minimized. Using an existing process would simplify both the implementation of the charge in carrier's billing systems, as well as simplifying the explanation process to both company representatives and customers.

Conclusion

As discussed above, any per-connection mechanism adopted by the Commission should include several aspects: a single identical surcharge amount per connection for all technologies (wireline, wireless, VoIP), a reasonable relationship between the residential surcharge amount and the business surcharge amount, and a cap on the total number of surcharges that can be assessed to a single customer at a single service location. In addition, modeling the mechanism on an existing surcharge such as TRS will minimize implementation problems.

January 25, 2018

Respectfully submitted,

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