

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service) Application No. NUSF-111/PI-211
Commission, on its own motion, to determine)
rate design and address implementation)
issues with a connections-based contribution)
mechanism.

ASSOCIATION OF TELESERVICES INTERNATIONAL, INC.
REPLY TO RESPONSES TO REQUEST FOR INFORMATION

THE ASSOCIATION OF TELESERVICES INTERNATIONAL, INC. (ATSI), by its attorneys, respectfully submits its reply to the various comments submitted to the Nebraska Public Service Commission in the captioned proceeding, in response to the Commission’s Order Opening Docket and Seeking Comment (the “Order”) entered December 19, 2017. As its reply to the comments in response to the Order, ATSI respectfully states:

The Order elicited information from the parties on the issues of rate design, data sources and implementation of a connections-based contribution methodology to fund the Nebraska Universal Service Fund (NUSF). On the issue of particular interest to ATSI raised in ¶4 of the Order, ATSI pointed out that a “capped” assessment such as discussed in the proceedings in NUSF-100/PI-193 is not a suitable or acceptable solution to the excessive burden that a connections-based contribution methodology threatens for business customers employing high capacity telecommunications facilities (e.g., PRIs, T-1s, DS1s and higher capacity facilities such as a DS3 or OC3). ATSI further point out, instead, that an excessive burden can be avoided only if a suitable rate design is developed that recognizes and compensates for the economic efficiencies of high capacity facilities, and that, linear formulas based on Voice Grade Equivalent (VGEs) or work-

ing telephone numbers -- whether or not capped at a certain point -- simply are inherently unable to appropriately recognize this efficiency.

The Rural Independent Companies (RIC) also recognize that a TRS-type “cap” on assessments is not workable, although their reasoning differs from ATSI’s. Frontier and Windstream generally support adoption of such a “cap,” but without meaningful elaboration; and other parties did not address the issue. Otherwise, the parties propose per business line NUSF assessments ranging from \$2.64 per month (RIC), based on an estimated \$60 million NUSF annual revenue requirement, to \$1.00 per month (Charter/Time Warner), based on a \$32 million NUSF annual revenue requirement. Separately, CenturyLink/Level 3 contend that the Commission need not be concerned with the impact of a connections NUSF assessment on particular NUSF payers, so long as Nebraska citizens and entities “as a whole” are not “unduly burdened”.

The specific rate proposals advanced by the parties in their initial comments serve to underscore the fact that the connections proposals so far under consideration are excessive and unduly burdensome for business users employing high capacity facilities. When the different rates proposed by the parties are adjusted to account for the differences in estimated revenue requirements, it turns out that they all are reasonably close to RIC’s proposed assessment of \$2.64 per Voice Channel Equivalent (VCE) per month. In turn, RIC’s proposed assessment would burden ATSI members with approximately \$60 to \$65 per month for each PRI or DS1; and there is no assurance when the actual NUSF revenue requirement is determined that the actual assessment would not be even higher.¹


¹ RIC claims that its proposed \$2.64 per business line assessment would increase the current NUSF assessment for its business customers by 13.8%, which it says would be “reasonable”. ATSI disagrees. Even assuming the claimed 13.8% increase is accurate for RIC rural service areas, it likely understates the increase for users of high capacity facilities like ATSI members in metropolitan areas. Moreover, even if 13.8% is an accurate number, ATSI disagrees that such an increase would be either reasonable or justified.

Additionally, ATSI emphatically disagrees with CenturyLink/Level 3 that the Commission need not be concerned with the impact of a connections methodology on different classes of users. Quite to the contrary, fair and equitable treatment of all classes of users is at the core of the Commission's legal responsibilities in establishing NUSF charges. Burdening users of high capacity facilities cannot properly be justified on the basis that the Commission believes that users "as a whole" are "not unduly burdened".

In summary, the specific rate proposals advanced by the parties are badly flawed because they are linear per-line charges that do not recognize the economic efficiencies of high capacity facilities; and a TRS-type "cap" charges remains an unsuitable and unworkable cure for the excessive burden the proposed "connection" assessments would pose for users of high capacity facilities.

Respectfully submitted,

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Certificate of Service

The undersigned hereby certifies that on this 23rd day of March, 2018 an original and five copies of the Response to Request for Information in Application NUSF-111/PI-211 were delivered by overnight mail to the Nebraska Public Service Commission, and a copy of the same was mailed or e-mailed to the following:

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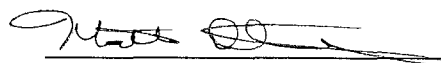
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