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Mound, Minnesota 55364

August 26, 2020

Mr. Mike Hybl  
Executive Director  
Nebraska Public Service Commission  
300 The Atrium, 1200 N Street  
Lincoln, Nebraska 68508

Subject: In the Matter of the Nebraska Public Service Commission, on its own motion, to Consider Revisions to the Contribution Methodology and Determine a Rate Design for Services Currently Subject to a Revenue-based Surcharge.  
Application No. NUSF-119

Dear Mr. Hybl:

In response to the Commission's June 30, 2020 *Order Opening Docket and Seeking Comment* in this docket, Citizens Telecommunications Company of Nebraska, d/b/a Frontier Communications of Nebraska is submitting the attached Comments.

If you have questions relating to this matter, I can be contacted at (952) 491-5534, or at [scott.bohler@ftr.com](mailto:scott.bohler@ftr.com).

Very truly yours,

/s/ Scott Bohler

A handwritten signature in blue ink that reads "Scott Bohler". The signature is fluid and cursive, with the first name "Scott" and last name "Bohler" clearly legible.

Scott Bohler

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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 Revisions to the Contribution Methodology and Determine a Rate Design for Services Currently Subject to a Revenue-based Surcharge. ) Application No. NUSF-119 / PI - 233

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

In its June 30, 2020 *Order Opening Docket and Seeking Comment* in this docket (“June 30 Order”), the Nebraska Public Service Commission (“Commission”) noted that it had adopted a connections-based contribution methodology to fund the Nebraska Universal Service Fund (“NUSF”) for residential and wireless access lines in 2018. The June Order sought input regarding extending that connections-based contribution methodology to business and government services.

Citizens Telecommunications Company of Nebraska, Inc. (“Frontier”) files the following Comments in response to the June 30 Order.

## Background

In 2017, the Commission opened Docket NUSF-111 to review the contribution framework to be used in funding the NUSF. At that time, the contribution stream supporting the NUSF had been decreasing over time, and there was concern regarding the ongoing financial stability of the NUSF. In an August 7, 2018 order in the NUSF-111 docket, the Commission adopted a connections-based surcharge for residential and wireless services, but retained the existing revenues-based surcharge for business and government services. The Commission found that extending the connections-based surcharge framework to business and government services involved a number of complex questions to which ready solutions were not available. The Commission indicated that it would monitor remittances from business services for a time, and

then seek further comments on the “feasibility and necessity” of a connections-based contribution mechanism as applied to business services.

### **Issues for comment**

The June 30 Order raises a large number of specific questions related to the possibility of extending the connections-based contribution framework to business and government services. However, none of those questions squarely addresses the question of “necessity” which the Commission identified in its NUSF-111 order. Frontier suggests that answering that question of necessity is fundamental to proceeding to any other questions. In the context of the NUSF-111 docket, the Commission was convinced that there was a need to change the NUSF contribution methodology because the on-going decline of NUSF contributions was threatening the stability of the Fund. It was believed that maintaining the status quo would result in an NUSF without sufficient funds to support its obligations.

The connections-based framework was implemented for residential and wireless services on April 1, 2019, with the goal of stabilizing and increasing the funds flowing into the NUSF. That change has had a positive impact on the funding stream for the NUSF, and has resolved the problem of declining contributions. It appears that the financial threat to the NUSF viability has been overcome. Thus, the first question the Commission should address is whether there is any need at this time to change the assessment approach for business and government services at all. If the current contribution flow from business and government service is sufficient to maintain the financial health of the NUSF, what need would require a change in the contribution framework?

#### *A. Whether to Adopt a Connections-Based Mechanism for Business and Government Lines Currently Subject to the Revenues-Based Mechanism.*

Frontier urges the Commission to maintain the current revenues-based contribution mechanism in place for business and government services. It is clear that the types and quantities of services provided to business and government customers are significantly different than those provided to residential and wireless customers. As the numerous questions in the June 30 Order demonstrate, implementing a connections-based framework for business and government services implicates a variety of complex issues. Those questions, as asked in the June 30 Order, involve

both quantitative matters (amounts of revenue, counts of connections, numbers and types of customers) but also qualitative matters (equity, fairness, relative value).

The nature of many of the services which businesses typically purchase do not easily translate to a “per connection” itemization. For example, PBX trunk offerings and ISDN PRI offerings can support a varying number of “connections” to the public switched network. Some offerings, such as private line services, do not interconnect with the public switched network at all. Creating a framework that would reasonably categorize those services into a simple “per connection” common denominator would be difficult.

Before wading into the deep waters of those questions, the Commission should first be certain that the existing system is “broke” to such an extent that it needs to be “fixed”. Frontier believes that the current hybrid framework that the Commission implemented a year ago under NUSF-111 is working and is generating sufficient support for the NUSF to fulfill its obligations. Frontier does not see a need to implement a connections-based framework for business and government services at this time.

*B. Whether the Relative Contribution Percentages between Residential Versus Business Services Should be Considered and Adjusted.*

The June 30 Order notes that, currently, residential-based NUSF contributions make up about 70% of the total contributions, and further that “historically” residential-based NUSF contributions made up approximately 60% of total NUSF contributions. With that background, the June 30 Order asks whether the contribution mechanism should be structured so that the remittance percentage is “more equitably divided” between residential and business services. “Equitably divided” is an idea without a clear or obvious definition. Frontier does not have a position regarding what is an equitable relationship between the residential and business contribution percentages. However, if the Commission is convinced that some specific percentage is the right split “equitably”, then it is possible to achieve that goal without adopting a connections-based framework for business services. In fact, it would be very difficult to adjust matters so as to reach that desired percentage if a connections-based framework were adopted for business service, given the uncertainty and change that would ensue. Leaving the current hybrid contribution system in place and adjusting either the residential surcharge amount or the business

surcharge percentage (or both) would allow the Commission to arrive at that “equitable” percentage split that it may desire. Indeed, if the Commission wishes to increase or decrease the entire NUSF funding amount, changes can easily be made to the existing surcharge levels in the existing framework to achieve that goal.

*C. How to Account for the Wide Variations in Business and Government Service Offerings.*

The June 30 Order identifies a number of aspects and features of services provided to businesses that are significantly different from services provided to residential customers. In contrast with residential subscribers, business customers vary widely in the types and amounts of services to which they subscribe. This wide variation in business services would need to be addressed in designing a new connections-based contribution framework for businesses. As the questions asked in the June 30 Order point out, the way in which the Commission might implement a connections-based framework could have significant adverse impacts on certain business customers, simply due to the types of services that they purchase.

Thus, there is a substantial risk that implementing a connections-based framework for business services will impose significant additional costs on some businesses, without any clear indication that moving to such a framework would have any positive benefits generally. The existing revenues-based surcharge for business customers is fair, in that customers pay a percentage of their service bill to support the NUSF surcharge. Larger users pay a higher absolute dollar amount than small users, but all pay the same percentage amount.

*D. Whether to Make any Exceptions to the Contribution Requirement for Customers Tied to Long-Term Contracts or for Services Supported by Federal E-Rate Programs.*

A change to a connections-based contribution framework for businesses could have a significant impact on the contribution amounts that a particular business customer must pay, whether that customer is party to a long-term contract or not. That impact would be driven by the particular circumstances of each business customer, and could result in either higher or lower NUSF contribution costs. Attempting to craft some kind of procedure to provide a “soft landing” for all business customers as their NUSF contribution costs change under any new connections-based framework may be desirable, but the Commission would require additional specific

information on customer impacts to design such a procedure. This difficulty would argue for retaining the existing revenues-based framework to avoid financial shocks to businesses.

*E. Whether to Adopt a Cap on the Number of Connections Carriers Are Required to Contribute for on a Per-Entity Basis.*

The implementation of a connections-based contribution system would most strongly affect those business customers with many connections. It is likely that assessing all connections would greatly increase the contribution costs for those customers. This impact has been recognized in connection with the telecommunications relay service program (“TRS”), and has been ameliorated by limiting the number of connections liable for TRS assessment to 100 per customer. If the Commission does adopt a connections-based NUSF contribution framework for businesses, a similar limitation would be reasonable. A limitation to 100 connections, like the TRS approach, would be easier to implement for Frontier.

*F. Whether to Modify the Contribution Mechanism as it Relates to Private Line and Toll Services.*

Certain telecommunications services do not have a direct tie to a count or number of “connections”. For example, private line services do not connect to the switched network at all. The amount of toll service used by one “connection” will be much different from the amount of toll service used by another “connection”. There is not a clear approach to equating a particular amount of private line service or toll service to a single “connection” count. Retaining a revenues-based contribution framework for these types of services would be reasonable and would retain the surcharge revenue that exists today for these types of services.

**Conclusion**

As discussed above, Frontier urges the Commission to refrain from adopting a connections-based contribution framework for business and government services. It is not clear there is any need to do so. No clear advantages to adopting such a framework have been identified. However, significant disadvantages and difficulties in devising such a framework have been identified. Thus, Frontier believes the Commission should retain the existing hybrid contribution framework, with a revenues-based contribution approach being applied to business and government services.

August 26, 2020

Respectfully submitted,

Citizens Telecommunications Company of Nebraska, Inc. d/b/a Frontier Communications of Nebraska

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