

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 revenues-based surcharge.

Application No. NUSF-119/PI-233

COMMENTS OF QWEST CORPORATION d/b/a CENTURYLINK QC AND UNITED TELEPHONE COMPANY OF THE WEST d/b/a CENTURYLINK

The issue before the Commission in this proceeding is whether to extend a connections-based surcharge to business and government services and any other services currently subject to a revenues-based surcharge. When this issue was last considered by the Commission, it determined to maintain the revenue-based surcharge for these services due, in large part, to the complexities surrounding the various business product offerings and billing arrangements offered by the numerous communications companies offering business service. Since that time, those complexities have increased significantly as the business communications market and associated service offerings have expanded and become more complex. Further, the COVID-19 pandemic has caused an unprecedented shift to work from home and away from business communications services which is likely to impact the analysis. Accordingly, for the reasons discussed below in more detail, CenturyLink recommends that the Commission maintain the revenue-based surcharge for this group at this time.

DISCUSSION

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

- i. We first seek comment on whether the Commission should adopt and implement a connections-based contribution framework for business and government service. If answering in the affirmative, please explain the rationale. Interested parties are also invited to file proposed rate design models for the Commission's consideration.**

While not opposed to a connections-based contribution framework for business and government service, amidst the COVID-19 pandemic, CenturyLink recommends the Commission continue to monitor USF contributions trends prior to making and implementing any changes to business or government accounts. Revisions to taxes and surcharges during this unprecedented time could be detrimental for businesses struggling to survive and government services attempting to maintain normalcy. Further, businesses are assessing potential long-term operational shifts to permanent work from home models for their employees. This year, the telecommunications industry has experienced an increase in residential usage and a simultaneous decrease in business usage as a result of the transition to work from home for many individuals. If the framework is revised and implemented, the shifts away from a centralized workforce could impact the contribution framework analysis, thereby making any current and immediate revisions to the contribution mechanism counterproductive at this time.

- ii. If interested parties are of the opinion that the Commission should keep business and government service on the existing revenues-based contribution mechanism we invite those commenters to explain the justification for maintaining the current revenues-based mechanism for those services.**

Please see CenturyLink's response in Section A(i) above.

- iii. If the Commission were to adopt a connections-based contribution framework for business and government services, the Commission seeks comment on how the term "connection" should be defined? Should the Commission utilize the same definition it adopted in NUSF-111 relative to residential connections? If not, why not?**

If the Commission adopts a connections-based contribution framework for business and government services, it should use the same definition adopted for residential connections. Different definitions for business versus personal connections are unwarranted and would add a level of unnecessary complexity and confusion as more and more individuals operate a business or work from home. Consistent and easily understood definitions are critical in developing the public's understanding of Nebraska USF.

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

- i. Currently, residential-based contributions make up roughly 70 percent of the total NUSF remittances and business remittances make up roughly 30 percent of the total NUSF remittances. Historically, remittances were estimated to be approximately 60 percent residential and 40 percent business. Should the contribution mechanism be structured so that the remittance percentage is more equitably divided between residential and business services? Why or why not?**

The current structure has been in place just over a year and should not be changed at this time. Constant changes contribute to misunderstanding of universal service and should be avoided when possible. Further, regardless of whether businesses or residents remit the funds to the Commission, residents ultimately pay the surcharge either directly or through the prices they pay for purchases from the businesses. Finally, to the extent the Commission implements a connections-based funding mechanism at some future date, these percentages will be irrelevant as each connection should be assessed the same fee.

- ii. Another key question is how the Commission should approach the relative distribution of the contribution burden between multi-line business and enterprise users versus single line business and residential users, as well as among different types of enterprise users and consumers. Should there be an increased connections-based assessment relative to business lines which takes into account capacity or usage? Is a 60/40 split a fair distribution of the contribution burden in light of actual usage value of the network? Are there modifications that could be made to a connections-based methodology to**

make the level of assessment more fair to residential or low-volume users compared to multi-line business or enterprise customers? How should the Commission measure this? Is there publicly available data the Commission should use? If so, how often should this data be re-evaluated?

CenturyLink recommends an equal per-connection charge for residential, single line business, multi-line business and enterprise.

A per-connection charge is competitively neutral and simplifies the customer experience and the remittance process. Further, the constant, per-connection charge allows the customer to easily understand and budget for the charge. Varying assessment levels for single line, multi-line and enterprise will cause needless complexity and confusion for customers and providers alike. For example, customers who frequently add or eliminate connections may incur varying levels of assessments and different rates from month to month. Further, from a provider perspective, varying per-connection charges will add complexity and significant additional lead time to develop and implement billing system enhancements necessary to the remittance process.

iii. Should there be a separate per connection surcharge amount for residential versus business service? Should they be set at the same amount?

CenturyLink supports a single, uniform, per-connection charge for residential, single line, multi-line and enterprise customers. Many residential customers are using their residential wired or wireless connections as they work from home during this difficult time. If more than half of the calls are business-related, does that change the surcharge to a business surcharge? Conversely, if a business provides wireless service only for its employees but allows residential connections for family members on a single account, will that account be charged as a multi-line business account, a residential account, or some combination? Establishing a single rate avoids these issues as well as the issue raised in B(i) above.

- iv. **In NUSF-100, for example, CenturyLink stated “scaling the assessment on each connection or number in a way that equitably reflects the end user’s burden on the network can be more complex than under a revenues-based approach.”¹ To overcome this challenge CenturyLink suggested the Commission may have to define classes of connections based upon factors.² The Commission proposed devising a mechanism to allocate contribution obligations for business and residential related to the burden on the network or the value of the connection. Should that approach be considered relative to multiline business connections? Why or why not? If so, what data is available to support such an approach?**

CenturyLink’s 2015 comments suggesting a scaled assessment were related to broadband connections. CenturyLink has consistently recommended that the per-connection charge be equal for residential and business connections with a limit on business connections per account. Indeed, in the world of communication today, the lines are blurred. Residential connections include business calls and business connections include personal calls.

Further, CenturyLink does not agree that contribution obligations should be related to the burden on the network³ or the value of the connection, which begs the question, “how do you value the connection?” As the COVID-19 pandemic has shown, the value of a residential connection has greatly increased as consumers work, learn and receive medical care from home, while a business connection’s value is greatly diminished when the office is closed and employees are working remotely. Moreover, the value of a connection to a single line business is arguably much higher to that business because it is the sole method of voice communication. Following that logic, if charges are based on value to the customer, the single-line business rate should be higher than for a multi-line customer.

¹ Comments of CenturyLink (Feb. 13, 2015) at 6.

² *See Id.*

³ The “burden on the network” of a voice connection is rather negligible compared to the burden from broadband.

- v. **Should the Commission as an alternative to revising the contribution mechanism for business and government services consider raising the surcharge percentage to increase the amount of contributions compared to residential contributions and to meet the fund demand? Please explain.**

While CenturyLink is not opposed to maintaining a revenues-based charge on business services, the Commission should not raise the surcharge percentage on businesses for the sole purpose of meeting a historical percentage of contributions from businesses. Based on the last reports from the Commission, fund collections overall have met expectations after the first year. As such and at this early phase, the Commission should refrain from making significant changes based on a desire to change the contribution balance.

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

- i. **Based on the data collected thus far, we know there is a wide variation among business service offerings. Should the Commission structure connections-based remittance tiers which would vary based upon the type of offering? If so, how should the Commission account for the varying business sizes and diverse product offerings?**

No, the Commission should not structure remittances based on the type of offering. Such action would violate state law. Nebraska Revised Statutes § 86-323(4) requires, “All providers of telecommunications should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.” Establishing a different tier by technology or type of offering is both inequitable and discriminatory.

- ii. **Should the Commission adopt pure connections approach where the type of offering is not relevant?**

If the Commission determines that businesses should be transferred to a connections-based methodology, each business connection should be charged the same amount. The NUSF contribution mechanism should follow the E-911 and telecommunications relay service (“TRS”)

principles for capping business connections at 100 per service area. The amount per connection should be the same as the amount per connection for residential customers.

- iii. Based on how the services and packages offered by carriers are structured for business customers, some businesses may contribute a significant amount of revenue for a small number of connections. A shift to a connections-based surcharge for business service may result in some business users paying less in NUSF remittances than they do currently while others may be remitting a larger amount. It is apparent from the data collected that there are wide variances of business service products and offerings. Take, for example, a scenario where a carrier remits \$40,000 monthly for approximately 200 connections. Alternatively, certain businesses or government entities could have several thousand connections but would be remitting more than what they otherwise would using a flat “per unit” charge. Moving to a pure connections-based contribution mechanism may benefit some business users and disadvantage others. Should the Commission take this into account? Should the Commission consider the value of the service or the capacity of the connection? How should the Commission account for the differences in the way that providers package and provide services to business customers?**

The Commission has two options if it is concerned with the potential variation in charges to business customers. First, it could maintain the existing revenues-based approach to NUSF surcharges. Second, if it instead opts for a connections-based assessment, it should, consistent with E-911 and TRS collections, limit the maximum amount of connections to 100.

- iv. Should the Commission consider a tiered approach based on the type of service where higher capacity would be assessed at a higher level?**

As noted in response to previous questions, if businesses are transitioned to a connections-based approach, the same per-connection rate should be assessed for each connection, with a cap on total connections per account. Creating tiers based on service type would be discriminatory and in violation of § 86-323(4) noted above as some business connections would be making a higher contribution for the same functionality.

- v. **Should residential and single-line businesses be assessed at one flat rate? Should multi-line business customers be assessed at a higher rate?**

Yes, for the reasons previously set forth in CenturyLink's comments, residential and single-line businesses should be assessed at one flat rate. Multi-line business customers should be assessed at the same rate per connection.

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.

- i. **In addition, the Commission seeks comment on how it should address long-term contracts for services which may be more common for business and government services. For example, services provided through the E-Rate program for schools and libraries are often subject to a four-year agreement term. A change in the contribution mechanism could impact the surcharge obligations under those agreements and have a significant impact on those customers. How should the Commission address these situations?**

The E-Rate program no longer provides compensation for voice services so the contribution mechanism would have no impact on those agreements, although the provider could include voice service within the contract for service with the school or library. This will be an issue regardless of when the Commission decides to change to a connections-based methodology and is one of the reasons that CenturyLink is not opposed to maintaining a revenues-based approach for businesses.

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

- i. **In our NUSF-111 proceeding, there was some discussion about implementing a cap on the number of connections counted for contribution purposes. In the telecommunications relay service (TRS) program, the surcharge is capped at 100 access lines. Should the Commission consider a cap for NUSF contribution purposes? If so, at what level? If not, please explain. Should the Commission consider a cap on the number of business connections for each entity?**

Yes, a cap is essential to maintain business continuity in Nebraska. The cap should be the same level as the TRS and E-911 cap to make it easier for customers to understand and easier for providers to bill. CenturyLink recommends that the TRS and USF charges be combined on the customer invoices to assist in the education process and limit the number of charges on the invoice.

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

- i. Currently, private line and toll service revenues make up approximately \$3 million in remittances annually. Should a per line surcharge replace all revenues-based remittances including activation, toll, private line, and paging? Are there some services that should continue to be subject to a revenue-based surcharge? If so which services?**

Under a connections-based model, all services that connect to the public switched telephone network (PSTN) would be assessed a connections charge. Activation services allow a PSTN connection but do not connect and would not be chargeable. Toll charges are part of a current subscribers PSTN connection, not a separate connection, and should not be chargeable. Paging services that utilize a phone number and connect to the PSTN should be charged the same as any other service connecting to the PSTN.

- ii. If some services are left on a revenues-based surcharge, would we run the risk of “double assessing” in some cases?**

CenturyLink does not recommend using a hybrid of revenues and connections-based surcharges. This approach runs the risk of double assessment, creates customer confusion for those customers attempting to translate their invoices, adds line items to the monthly invoice for business customers, and is extremely difficult for telecommunications providers to explain to customers who are concerned with double billing.

- iii. **If the Commission were to move to a pure connections-based mechanism for all services does this mean the fund would forego remittances for toll revenues completely?**

Yes, the assessment is associated with the local PSTN connection, so no extra charge should be incurred for toll services. This is already the case for nearly all wireless and VoIP customers since the monthly service charge includes intrastate toll charges.

- iv. **Would this be consistent with the requirements in the NUSF Act? Please explain.**

Yes. As noted in response to (C)(i) above, the Act states that all providers of telecommunications should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service. In a connections-based approach, charging a consistent amount for each connection to the PSTN, and not charging for services without a connection to the PSTN, is equitable, non-discriminatory and, therefore, consistent with the requirements in the NUSF Act.

G. Whether to Move Prepaid Wireless Services to a Connections-Based Surcharge.

- i. **Currently, prepaid wireless service is assessed on a revenues basis and remittances are provided to the Nebraska Department of Revenue. The statute states the remittances should be based on the percentage obtained by multiplying (i) the Nebraska Telecommunications Universal Service Fund surcharge percentage rate set by the Public Service Commission by (ii) one minus the Federal Communications Commission safe harbor percentage for determining the interstate portion of a fixed monthly wireless charge. Does this statutory language mean the Commission must leave prepaid wireless service on a revenues-based surcharge?**

Because CenturyLink does not offer prepaid wireless service, it takes no position on this issue.

ii. If not, should the Commission revise the contribution mechanism for pre-paid wireless service?

Because CenturyLink does not offer prepaid wireless service, it takes no position on this issue.

CONCLUSION

CenturyLink thanks the Commission for its continuous work and involvement in this docket. At this time, CenturyLink recommends that the Commission continue to monitor the Fund contributions but refrain from making and implementing any changes to the assessment model while substantial changes are occurring in the traditional centralized work force model for businesses both in Nebraska and nationally. Such shifts may render any changes to the assessment model outdated before the changes may be implemented.

Dated this 31st day of August, 2020.

Respectfully submitted,

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