

**BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION**

In the Matter of the Nebraska	)	Application No. C-4145/
Public Service Commission on its	)	NUSF-74/
own motion to conduct an	)	PI-147
investigation on intrastate	)	
switched access charge policies	)	Response to February 24, 2009
and regulation codified in <u>Neb.</u>	)	Order Opening Docket and
<u>Rev. Stat.</u> Section 86-140.	)	Seeking Comment

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

Citizens Telecommunications Company of Nebraska, d/b/a Frontier Communications of Nebraska (“Frontier”) appreciates the opportunity to comment on issues raised by the Nebraska Public Service Commission (“Commission”) in its February 24, 2009 Order Opening Docket and Seeking Comment (“Order”) in Application No. C-4145/NUSF-74/PI-147. The Commission has opened a docket to conduct an investigation on intrastate switched access charge policies and to clarify the minimum criteria required under Neb. Rev. Stat. Section 86-140 to prove a proposed access rate is fair and reasonable. The Commission has invited comment on certain potential minimum objective evidentiary criteria to be considered by the Commission in proposed intrastate switched access rate changes.. The Commission has also invited comment on certain questions related to intrastate switched access rate change policies.

Many local exchange carriers in Nebraska, including Frontier, serve high-cost areas. Local service rates and the State Universal Service Fund cannot, by themselves, provide the revenue required to recover the intrastate joint and common costs of local

exchange carrier's network, including loop costs. Frontier strongly believes that a reasonable portion of such costs should be recovered through intrastate switched access charges, such as the carrier common line charge, to the interexchange carriers that use the local exchange carrier's networks. The Commission should adopt this principle as part of its intrastate switched access charge policies.

With respect to the proposals for minimum objective evidentiary criteria, Frontier has the following comments:

**The NUSF-EARN form compiled on a supported services basis as a tool to measure the cost of providing access in conjunction with supported services.**

The NUSF-EARN form does not identify in sufficient detail the cost of individual services, including intrastate switched access, to make a determination as to whether such rates are reasonable. As such, the form is not a useful tool to measure the cost of providing access in conjunction with supported services. Instead, a carrier should be permitted to file a cost study using the Federal Communications Commission's Part 36/Part 69 jurisdictional separations and costing procedures. This would be a "safe harbor" cost support methodology, and the carrier would be permitted to propose and file, in the alternative, a cost study using a different methodology for the Commission's consideration.

**The NUSF-EARN form to consider the federal and state universal service support received by the requesting carrier.**

The Commission should consider only intrastate data as evidence. The costs associated with interstate Local Switching Support (LSS) are recorded to the interstate jurisdiction and, likewise, LSS revenues should not be considered as intrastate. Of the federal High Cost Loop support, 25 percent is allocated to interstate, and the remaining

75 percent is assigned to the intrastate jurisdiction. Likewise, 75 percent of HCL revenue should be considered jurisdictionally intrastate.

**Alternative revenue generation sources for the carrier, including local rates in both urban and rural areas.**

The Commission should consider only revenues within its jurisdiction – that is, revenues from intrastate regulated services.

**Establish a reasonable rate-of-return figure for carriers seeking access rate increases along with establishing an appropriate test year.**

A reasonable cost of capital should be used in determining the cost of intrastate switched access for purpose of evaluating rate increases. Absent an alternative finding by the Commission, the rate of return used for the NUSF-EARN calculation (currently 12 percent) should be a benchmark cost of capital for purpose of calculating a company's intrastate switched access cost.

**Examine the minutes of use (mou) demand and access line counts of the carrier, consistent with a specific test year.**

Intrastate access demand units (e.g., minutes of use) for a representative time period should be considered in development of unit costs for switched access. Intrastate access demand units, for a specific test year (either historical or well-founded projection), are necessary components necessary for determination of unit costs.

With respect to the questions regarding intrastate switched access charge policies, Frontier has the following comments:

**Should limits be placed on the frequency of access cases that any carrier can file with the Commission?**

No, Frontier believes that incumbent local exchange carriers should be free to seek access rate increases based on need, without limitation on frequency.

**How are access rates structured and does the structure vary from carrier to carrier? Should the structure of access rates affect the Commission's analysis of access rate increases?**

A carrier's existing intrastate, interstate access rate structure (or combination thereof) should be considered "safe harbor". For good cause shown, the Commission should permit a carrier to use another rate structure that is reasonably reflective of the carrier's underlying costs of providing intrastate switched access.

**Are the Commission's initial policy goals set out in 1999 for interstate switched access reform still valid today? Have they been achieved? What further steps, if any, should be considered?**

The Commission should firmly establish a simple, succinct policy that intrastate switched access rates, including the carrier common line rate, should provide a fair and reasonable contribution towards the recovery of the joint and common costs of providing access services to long distance carriers.

**Should the Commission's policy of intrastate switched access rate reform be modified? If so, in what way?**

The Commission should not initiate a generic investigation of intrastate switched access charges. Instead, incumbent local exchange carriers should continue to be permitted to file proposed changes to their access charges in separately docketed cases.

Basic local service rates and the Nebraska State Universal Service Fund cannot bear the entire network cost, especially in a state in which most incumbent providers serve low-density, high-cost areas. Intrastate switched access charges should be a source for rational and fair recovery of a reasonable portion of the local exchange carrier's joint and common network costs from interexchange carriers, which use the local exchange carrier's network.

The potential evidentiary criteria listed in the Commission's Order suggests that the Commission's analysis of a carrier's intrastate switched access charges would follow a process similar to that of a general rate case. As in such a case, the Commission should permit adjustments to test period data to reflect known and measurable changes that have occurred or will occur after the close of the test period.

### **Conclusion**

Frontier believes that the Commission should not initiate a generic investigation of switched access charges. Instead the Commission should apply the policies that it adopts to individual cases when carriers file to change such charges. As part of its policies, the Commission should provide for recovery of a reasonable portion of the local exchange carrier's joint and common network costs from intrastate switched access charges, such as the carrier common line charge.

Respectfully submitted this 23th day of April, 2009.



Kevin Saville  
Associate General Counsel  
Frontier Communications  
2378 Wilshire Blvd.  
Mound, MN 55364  
(952) 491-5564 Telephone  
(952) 491-5577 Facsimile  
[kevin.saville@frontiercorp.com](mailto:kevin.saville@frontiercorp.com)