

# VOLUME 1

## DESCRIPTION AND JUSTIFICATION

### I. Introduction

#### A. Background

Windstream Telephone System Tariffs FCC Nos. 6 and 7 issuing carriers, as listed in Exhibit COSA (Windstream), hereby submit this filing in support of the upcoming 2019 Annual Access Charge Tariff Filing. This information is being filed pursuant to the Federal Communications Commission's ("FCC" or "Commission") decisions in:

- In the Matter of July 1, 2019 Annual Access Charge Tariff Filings, WC Docket No. 19-47, *Order*, DA 19-246, released April 4, 2019;
- In the Matter of Material to be Filed in Support of 2019 Annual Access Tariff Filings, WC Docket No. 19-246, *Order*, DA 19-313, released May 1, 2019; and

This filing is being made in compliance with the following:

- Second Report and Order, *In the Matter of Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Released October 4, 1990;
- Order on Reconsideration, *In the Matter of Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Released April 17, 1991;
- First Report and Order, *In the Matter of Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1, Released April 7, 1995;

- Report and Order, *In the Matter of Price Cap Regulation of Local Exchange Carriers, Rate-of-Return Sharing and Lower Formula Adjustment*, CC Docket No. 93-179, Released April 14, 1995;
- Fourth Report and Order, *In the Matter of Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1, Released May 21, 1997;
- First Report and Order, *In the Matter of Access Charge Reform*, CC Docket No. 96-262, Released May 16, 1997;
- Second Order on Reconsideration and Memorandum Opinion and Order, *In the Matter of Access Charge Reform*, CC Docket No. 96-262, Released October 9, 1997;
- Third Report and Order, *In the Matter of Access Charge Reform*, CC Docket No. 96-262, Released November 26, 1997;
- Report and Order & Further Notice of Proposed Rulemaking, *In the Matter of Defining Primary Lines*, CC Docket No. 97-181, Released March 10, 1999;
- Public Notice, DA 99-584, Released March 25, 1999;
- Public Notice, DA99-1091, released June 4, 1999;
- Sixth Report and Order, *In the Matter of Access Charge Reform*, CC Docket 92-262, Released May 31, 2000 (CALLS);
- Business Data Services in an Internet Protocol Environment et al., WC Docket No. 16-143 et al., Report and Order, 32 FCC Rcd 3459 (2017) (Business Data Services Order);
- Commission Rules in 47 C.F.R. § 61.38 and § 61.41 through § 61.49, herein referred to collectively as the “Price Cap Rules”;
- Commission Rules in 47 C.F.R., Part 61, generally; and
- Report and Order and Further Notice of Proposed Rulemaking FCC 11-61, WC Docket 10-90, GN Docket 09-51, WC Docket 07-135, WC Docket 05-337, CC Docket 01-92, CC Docket 96-45, WC Docket 03-109, WT Docket 10-208, released November 18, 2011, herein referred to as the “USF/ICC Transformation Order”.

## B. Waivers

Windstream lists below all currently applicable waivers that permit rate elements different than those specified in 47 C.F.R., Part 69.

The Commission in Memorandum Opinion and Order, *In the Matter of Annual 1989 Access Tariff Filings*, DA 88-1872, Released December 2, 1988, extended indefinitely the waiver allowing carriers to bill \$25.00 for a special access surcharge. This element is included in Windstream's Common Line basket.

The Commission in Memorandum Opinion and Order, *In the Matter of Lincoln Telephone and Telegraph Company Petition for Waiver of Part 69*, DA 89-654, Released June 21, 1989, granted a waiver allowing (then) Lincoln to establish a separate rate element for 900 Access Service. This element is included in Windstream's Local Switching service category within the Traffic Sensitive Basket.

The Commission in Memorandum Opinion and Order, *In the Matter of Lincoln Telephone and Telegraph Company Petition for Waiver of the Commission's Rules To Establish 500 Access Service*, DA 95-115, Released January 26, 1995, granted a waiver allowing (then) Lincoln to establish a separate rate element for 500 Access Service. This element is included in Windstream's Local Switching Service category within the Traffic Sensitive Basket.

The Commission in Memorandum Opinion and Order, *In the Matter of United States Telephone Association Petition for Waiver of Section 69.152 (b) and 69.153 (c) (1) of the Commission's Rules*, DA 99-1122, released June 8, 1999, granted a waiver to allow price cap LECs to use USTA's proposed interim calculations only when necessary to compensate for an anomaly that produces negative multi-line business PICCs.

The Commission in Order, *In the Matter of Windstream Petition for Conversion to Price Cap Regulation and for Limited Waiver Relief*, DA 08-81, Released March 18, 2008, provided Windstream with the needed relief to allow Windstream to convert its rate-of-return regulation companies to price cap regulation and establish initial price cap indexes (PCIs) for price cap baskets.

The Commission in Order, *In the Matter of Windstream Petition for Limited Waiver Relief*, WC Docket No. 10-55, DA 10-802, Released May 10, 2010, provided Windstream with the needed relief to allow Windstream Lexcom to convert to price cap regulation and establish initial price cap indexes (PCIs) for price cap baskets.

The Commission in Order, *In the Matter of Windstream Petition for Limited Waiver Relief*, WC Docket No. 11-36, DA 11-966, Released May 27, 2011, provided Windstream with the needed relief to allow Windstream Lakedale, Inc. to convert to price cap regulation and establish initial price cap indexes (PCIs) for price cap baskets.

The Commission in Order, *In the Matter of Joint Petition of Price Cap Holding Companies for Conversion of Average Schedule Affiliates to Price Cap Regulation and for Limited Waiver Relief*, WC Docket No. 12-63, Released December 13, 2012.

## **II. Index and Rate Development**

### **A. Existing Indices**

The existing indices are those indices that will be in effect on June 30, 2019. See IND for transmittal numbers under which existing indices became effective.

## B. PCI Development

In accordance with the Commission's Rules, the PCIs for each service basket were calculated as shown in Exhibit PCI. A Gross Domestic Product Price Index ("GDP-PI") factor of 2.1140% was used in calculating the PCIs and is based on the percentage change between the GDP-PI for the quarter ending December 31, 2018 and the GDP-PI for the corresponding quarter of 2017.

## C. Exogenous Costs

Windstream developed exogenous cost changes according to the Price Cap Rules. These dollar effects were measured at 2018 base period level of operations and apportioned on a cost-causative basis between price cap and non-price services and then among the price cap baskets. To apportion exogenous costs changes between those Special Access services that remain subject to price cap regulation and those Special Access services that are de-tariffed as a result of the Business Data Services (BDS) Order, a ratio of the revenues of Special Access services that continue to be subject to price cap regulation to total Special Access revenues prior to the BDS Order was developed. This ratio was applied to allocate total exogenous costs between tariffed and de-tariffed Special Access services. Exogenous cost changes and allocations are shown in Exhibit EXG.

For each allowed exogenous cost, the Exogenous Cost adjustment ("EXG\_Cost [Adj]") is equal to the change in the current Price Cap Exogenous Cost ("EXG\_Cost [t-1]") less the Exogenous Cost already reflected in the Price Cap indices ("EXG\_Cost [t-2]").

$$EXG\_Cost_{Adj} = EXG\_Cost_{t-1} - EXG\_Cost_{t-2}$$

The current Price Cap Exogenous Cost is calculated by multiplying current year's 499A Total Revenue ("499A\_Total\_Rev [t-1]") by the current

Exogenous Cost Factor (“Exg\_Factor [t-1]”) adjusted by the ratio of the current year’s 499A Price Cap Revenue (“499A\_PriceCap\_Rev [t-1]”) to the current year’s 499A Total Revenue (“499A\_Total\_Rev [t-1]”). This formula simplifies to the current Exogenous Cost Factor multiplied by the current year’s 499A Price Cap Revenue.

$$\begin{aligned}
 EXG_{Cost_{t-1}} &= (499A\_Total\_Rev_{t-1} * EXG\_Factor_{t-1}) * \frac{499A\_PriceCap\_Rev_{t-1}}{499A\_Total\_Rev_{t-1}} \\
 \rightarrow &= EXG\_Rate_{t-1} * 499A\_PriceCap\_Rev_{t-1}
 \end{aligned}$$

The level of exogenous cost already reflected in the Price Cap indices is calculated by multiplying the previous year’s 499A Total Revenue (“499A\_Total\_Rev [t-2]”) by the exogenous cost factor included in the price cap indices (“Exg\_Factor [t-2]”). This result is then multiplied by the ratio of the previous year’s 499A Price Cap Revenue (“499A\_PriceCap\_Rev [t-2]”) to the previous year’s 499A Total Revenue (“499A\_Total\_Rev [t-2]”). The result is lastly multiplied by the ratio of the current year’s 499A Price Cap revenue (“499A\_PriceCap\_Rev [t-1]”) to the previous year’s 499A Price Cap revenue (“499A\_PriceCap\_Rev [t-2]”). This formula simplifies to the exogenous cost factor included in the price cap indices multiplied by the current year’s 499A Price Cap revenue.

$$\begin{aligned}
 EXG_{Cost_{t-2}} &= (499A\_Total\_Rev_{t-2} * EXG\_Factor_{t-2}) * \frac{499A\_PriceCap\_Rev_{t-2}}{499A\_Total\_Rev_{t-2}} * \frac{499A\_PriceCap\_Rev_{t-1}}{499A\_PriceCap\_Rev_{t-2}} \\
 \rightarrow &= (499A\_Total\_Rev_{t-2} * EXG\_Rate_{t-2}) * \frac{499A\_PriceCap\_Rev_{t-1}}{499A\_Total\_Rev_{t-2}} \\
 \rightarrow &= EXG\_Rate_{t-2} * IS\_PriceCap\_Rev_{t-1}
 \end{aligned}$$

Thus, the Exogenous Cost adjustment is equal to the current Exogenous Cost Factor (“EXG\_Factor [t-1]”) multiplied by the current year’s 499A Price Cap revenues (“499A\_PriceCap\_Rev [t-1]”) less the Exogenous Cost factor already in the Price Cap indices (“EXG\_Factor [t-2]”) multiplied by the current year’s 499A Price Cap revenue (“499A\_PriceCap\_Rev [t-1]”). This simplifies to the change in the Exogenous Cost factor, i.e. the current Exogenous Cost

factor less the Exogenous Cost factor already in the Price Cap indices, multiplied by the current year's 499A Price Cap revenue.

$$\begin{aligned} EXG\_Cost_{Adj} &= (EXG\_Factor_{t-1} * 499A\_PriceCap\_Rev_{t-1}) - (EXG\_Factor_{t-2} * 499A\_PriceCap\_Rev_{t-1}) \\ \rightarrow &= (EXG\_Factor_{t-1} - EXG\_Factor_{t-2}) * 499A\_PriceCap\_Rev_{t-1} \end{aligned}$$

**a) Regulatory Fees**

Local Exchange Companies (“LECs”) are allowed to recover the impact of regulatory fees as an exogenous cost. The calculations of the regulatory fees to be paid in the 2019 tariff year are based on the factor of 0.00291 as referenced in *Appendix B of the Assessment and Collection of Regulatory Fees for Fiscal Year 2018*, MD Docket No. 18-175, Report and Order and Order, FCC 18-126, released August 29, 2018. This factor is already reflected in the company’s price cap indices.

**b) Telecommunications Relay Service**

In its Third Report and Order in CC Docket No. 90-571, the Commission required that all common carriers providing interstate telecommunications services contribute to an interstate shared fund to support the TRS function. The TRS exogenous cost reflects changes from funding contributions reflected in the last annual filing allowing Windstream to calculate the current TRS exogenous costs for this tariff period’s contribution. For the 2019 tariff year, the fee will be based on the factor of 0.02801 as set forth in *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket Nos. 03-123 & 10-51, Order, DA 18-680, released June 29, 2018. This factor is already reflected in the company’s price cap indices.

**c) North American Numbering Plan Fee**

In the North American Numbering Plan Administration (“NANPA”) Order, the Commission required all telecommunications carriers to contribute to the cost recovery for numbering administration. To remain consistent in the price cap treatment of such fees, i.e., Regulatory Fee and Telecommunications Relay Services Fee, the NANPA fee is treated as an exogenous change. For the 2019 tariff year, the fee will be based on the factor of 0.0000427 as set forth in Public Notice, “Wireline Competition Bureau Announces the Proposed North American Numbering Plan Administration Fund Size Estimate and Contribution Factor for October 2018 through September 2019,” CC Docket No. 92-237, DA 18-727, released July 13, 2018. This factor is already reflected in the company’s price cap indices.

#### **D. CMT Per Line Revenue**

Section 61.3(d) of the Commission's Rules, 47 C.F.R. § 61.3(d) (2018), sets forth the calculation of the maximum Subscriber Line Charge (“SLC”) for residential and single-line business customers, non-primary residential, and multi-line business service categories based on the average common line, marketing and transport interconnection charge (“CMT”) revenue per line. Exhibit RDET (Rates and Revenue Exhibit) depicts the CMT per line calculation.

#### **E. Excluded Services**

Exhibit OUTPC provides a detailed listing of those services which are not included under price cap regulation.

#### **F. Explicit USAC Support (applicable to Windstream Tariff F.C.C. No. 6)**

Pursuant to the 2011 USF/ICC Transformation Order, FCC 11-161 (rel. Nov. 18, 2011); 47 C.F.R. §54.312(a)(3); and DA 13-2101, the Commission eliminated

Interstate Access Support (IAS), and carriers receiving frozen support were required to calculate interstate rates as though they were still receiving IAS on a frozen per-line basis.

Consistent with section 54.312(a)(3), with the present filing, in areas in which Windstream no longer receives support under any provision of 47 C.F.R. §54.312, including frozen support under section 54.312(a) or transitional support under section 54.312(d), frozen per-line IAS support is no longer included in the TRP CAP schedules.

In New Mexico, Windstream previously received IAS frozen support and continues to receive transitional USF support under 47 C.F.R. §54.312(d). Accordingly, without determining whether Windstream is required to do so, in this filing, Windstream assumes that transitional support under section 54.312(d) should be considered frozen support for the purposes of section 54.312(a)(3), and continues to calculate interstate rates in New Mexico as though Windstream were receiving IAS on the same frozen per-line basis.

### **III. USF/ICC Order**

#### **A. Access Recovery Charge (ARC Rate Ceiling) Worksheet**

In compliance with the FCC's USF/ICC Transformation Order, Windstream is including the Rate Ceiling-CAF and the Tariff Rate Comparison\_CAF workbooks. The Rate Ceiling-CAF workbook is utilized by Windstream to calculate the Access Recovery Charge ("ARC") allowed by 47 C.F.R. §51.915(e) and the CAF ICC allowed by 47 C.F.R. §51.915(f). Windstream's supporting calculations utilize the templates released by the FCC on May 1, 2019.

The FCC Rate Ceiling-CAF workbook template provides the methodology for calculating Expected Access Recovery Charge Revenues and any CAF ICC. For each exchange, Windstream totaled the Residential Rate Ceiling Components and measured the total against the Residential Rate Ceiling benchmark of \$30.00. A maximum Residential Access Recovery Charge is determined as \$0.00 when the total of the Residential Rate Ceiling Components are \$30.00 or greater, up to \$2.00 when the total of the Residential Rate Ceiling Components is between \$28.00 and \$30.00 or capped at \$2.50 when rate ceilings are below \$28.00. Once the residential ARC per line is determined, that value is multiplied by the eligible lines to result in the Residential Access Recovery Charge Revenue.

Also, in compliance with Section 51.915 (e)(5)(i)(E), the ARC for single line business customers was set equal to \$2.50. In compliance with Section 51.915 (e)(5)(ii)(E) and Section 51.915 (e)(5)(iv), the ARC for multi-line business customers was set equal to the lesser of the per line cap of \$5.00, or an amount that when added to the multi-line business SLC does not exceed the \$12.20 ceiling.

## **B. Tariff Rate Comparison Worksheet**

The Tariff Rate Comparison\_CAF workbook demonstrates that Windstream has not included any tariffs which would allow for greater recovery than allowed through the caps placed on the Access Recovery Charge per the methodology included in the Rate Ceiling-CAF template. This workbook includes the ARC tariff by exchange. Redacted and non-redacted versions of the workbooks are included with this filing.

## **C. Eligible Recovery Worksheet**

Pursuant to Section 51.915(d)(1)(viii), Windstream calculated the total Eligible Recovery amount based upon reductions calculated pursuant to 51.915(d)(1)(vii)(A) through 51.915(d)(1)(vii)(H), as well as ARC True-Up revenues for the year beginning July 1, 2017 and qualifying common line exogenous cost adjustments. No payments which were received during FY11 for services outside of FY11 were included in the calculation of eligible recovery amounts. Also, billed late fees were excluded from eligible recovery amounts.

The Eligible Recovery amount is calculated by first multiplying the eligible reductions calculated pursuant to Section 51.915(d)(1)(vii)(A) through 51.915(d)(1)(vii)(H) by the July 1, 2019 Price Cap Carrier Traffic Demand Factor of 43.05% and by the July 1, 2019 non-CALLS study area factor of 90%. This amount was then added to ARC True-Up Revenues Exogenous Cost ARC recoverable amount found in CAP-5, Line 610, of the Tariff Review Plan to derive the total Eligible Recovery Amount that is used in the "Rate Ceiling" template as described above.

#### **D. Summary Eligible Recovery Worksheet**

Included with the 2019 Price Cap Long Forms Tariff Review Plan is a workbook that summarizes the required forms outlined above for both the 2018-2019 filings. Windstream has completed the workbook by extracting the data from the relevant forms and populating the Summary Eligible Recovery form. Redacted and non-redacted versions of the workbook have been prepared.

#### **E. Access Recovery Charge (ARC) True-Up Worksheet**

In compliance with the Commission Rules set forth in Section 51.915(d)(1)(viii), 47 C.F.R. § 51.915(d)(1)(viii) (2018), Windstream is including the ARC True-Up workbook. With their 2019 Tariff Review Plans, carriers are required to include

True-Up Revenues for Access Recovery Charges for the year beginning July 1, 2017. True-up revenue is determined by taking the difference in the Projected Access Lines for the time period and the Actual Access Lines for the time period multiplied by the tariffed ARC rate. Lines eligible for an ARC assessment include those assessed an end user common line charge pursuant to Section 69.152 of the Commission's Rules, 47 C.F.R. § 69.152 (2018). Windstream extracted the line counts meeting the definition criteria for in-service lines within the time period.

Windstream utilized the "2019 True-Up" template released by the FCC on May 1, 2019 in the *TRP Order*. The FCC spreadsheet provides the methodology for calculating the 2017 ARC True-Up revenues, and the total 2017 ARC True-Up Revenue are included in the Eligible Recovery Form and the 2019 Summary Eligible Recovery Form.

#### **IV. Conclusion**

Windstream is submitting the accompanying information consistent with the requirements of the Commission's price cap regulations for local exchange carriers. The adjustments proposed herein are demonstrated to be just and reasonable and are supported by detailed exhibits reflecting the calculation of the required revisions, price cap indices, and exogenous costs.

# EXHIBIT COSA

<b>Issuing Carrier</b>	<b>COSA</b>
Windstream Alabama	WSAL
Windstream Arkansas	WSAR
Windstream Florida	WSFL
Georgia Properties <sup>1</sup>	WSGP
Windstream Standard	WSST
Windstream Kentucky West	WSKY
Windstream Kerrville	WSKR
Windstream Mississippi	WSMS
Windstream Missouri	WSMO
Windstream North Carolina	ALNC
New York Properties <sup>2</sup>	WSNY
Windstream Ohio	WSOH
Oklahoma Properties <sup>3</sup>	WSOP
Windstream Pennsylvania	ALPA
Windstream South Carolina	WSSC
Windstream Sugar Land	WSSL
Texas Windstream	WSTX
Windstream Western Reserve	ALWR
Windstream Concord	WSCT
Windstream Lexcom	WSLX
Windstream Nebraska	LTNE
Windstream Kentucky East – Lexington	GTKY
Windstream Kentucky East – London	COKY
Valor Oklahoma	VAOK
Valor New Mexico No. 1	VANM
Valor New Mexico No. 2	VANN
Valor Texas No. 1	VATX
Valor Texas No. 2	VCTX
Windstream Lakedale, Inc.	WSLD
Windstream Lakedale, Inc. - Connections	WSSB
Windstream Montezuma	WSMZ
Windstream Accucomm	WSAC
Windstream Georgia Telephone	WSGT
Windstream Buffalo Valley	WSBV
Windstream Conestoga	WSCS
Windstream D&E	WSDE

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<sup>1</sup> Georgia Properties includes Windstream Georgia, Georgia Windstream and Windstream Georgia Communications.

<sup>2</sup> New York Properties includes Windstream New York – Fulton, Windstream New York – Jamestown and Windstream New York – Red Jacket.

<sup>3</sup> Oklahoma Properties includes Windstream Oklahoma and Oklahoma Windstream.