NORTHWEST FIBER, LLC d/b/a ZIPLY FIBER TELEPHONE COMPANIES

2021 PRICE CAP REVISIONS

Issue June 16, 2021

Description and Justification

I. Introduction

A. Background

Northwest Fiber, LLC d/b/a Ziply Fiber Telephone Companies ("Ziply") hereby submits this material in support of its 2021 Annual Access Charge Tariff Filing. This information is being filed pursuant to the Federal Communications Commission's ("Commission") decisions in:

- In the Matter of July 1, 2021 Annual Access Charge Tariff Filings, WC Docket No. 21-148, *Order*, DA 21-433, released April 16, 2021;
- In the Matter of Material to be Filed in Support of 2021 Annual Access Tariff Filings, WC Docket No. 21-148, Order, DA 21-568, released May 14, 2021; and
- 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).

This filing includes adjustments consistent with the requirements of Sections 61.41 through 61.49 of the Commission's Rules, 47 C.F.R. §§ 61.41 – 61.49 (2020), and associated decisions ("Price Cap Rules").

Ziply Fiber Telephone Companies TARIFF FCC No. 1 contains two separate rate schedules referred to as Rate Group 1 and Rate Group 2, corresponding to the COSA codes NWF1 (Citizens Telecommunications Company of Idaho, LLC d/b/a

Ziply Fiber in the State of Idaho and Citizens Telecommunications Company of Montana, LLC d/b/a Ziply Fiber in the State of Montana) and NWF2 (Citizens Telecommunications Company of Oregon, LLC d/b/a Ziply Fiber in the State of Oregon). Ziply Fiber Telephone Companies TARIFF FCC No. 2 and 3 are consolidated into a single set of Price Cap indices and rate schedules corresponding to the COSA code NWF3 (Frontier Communications Northwest, LLC d/b/a Ziply Fiber in the State of Idaho, Frontier Communications Northwest, LLC d/b/a Ziply Fiber in the State of Oregon, Frontier Communications Northwest, LLC d/b/a Ziply Fiber in the State of Washington, and Frontier Communications Northwest, LLC d/b/a Ziply Fiber in the State of Washington).

B. New Services

Ziply has no new services to report for the 2021 Annual Access Charge Tariff Filing.

II. Index and Rate Development

A. Existing Indices

The existing indices are those indices that will be in effect on June 30, 2021. See IND for transmittal numbers under which existing indices became effective.

B. PCI/ATS Development

The PCIs were developed with a Gross Domestic Product Price Index ("GDP-PI") factor of 1.2389%. The factor is based on the percentage change between GDP-PI for the quarter ending December 31, 2020 and for the corresponding quarter of 2019. See Exhibit PCI.

C. Exogenous Costs

Ziply developed exogenous cost changes according to the Price Cap Rules. These exogenous costs were measured at the 2020 base period level of operations and apportioned on a cost-causative basis between detariffed services and services still subject to price cap regulation. Exogenous costs allocated to price cap-related services then were allocated among the price cap baskets. 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}").

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

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.

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

1. Regulatory Fees

Local Exchange Companies are allowed to recover the impact of regulatory fees as an exogenous cost. The calculations of the regulatory fees to be paid in the 2021 tariff year are based on the factor of 0.00321 as referenced in *Appendix B of the Assessment and Collection of Regulatory Fees for Fiscal Year 2020*, MD Docket No. 20-105, Report and Order and Further Notice of Proposed Rulemaking, FCC 20-120, released August 31, 2020. This factor is already reflected in the company's price cap indices.

2. Telecommunications Relay Service Fee

All common carriers providing interstate telecommunications services are required to contribute to a fund designated to support telecommunications relay services. For the 2021 tariff year, the fee will be based on the TRS IPCTS factor of 0.00962 and TRS Non-IPCTS factor of 0.0136 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 20-692, released June 30, 2020. This factor is already reflected in the company's price cap indices.

3. North American Numbering Plan Administration 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 2021 tariff year, the fee will be based on the factor of 0.0001267 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 2020 through September 2021," CC Docket No. 92-237, DA 20-856, released August 10, 2020. 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) (2020), 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. Development of Proposed EUCL, PICC, and CCL Rates

Initial EUCL, PICC, and CCL rates are computed on Form CAP-1 of the Tariff Review Plans for the appropriate properties. Any adjustments to EUCL rates needed to avoid over-recovery of the allowed CMT per line are shown on Form CAP-2 of the Tariff Review Plans for the appropriate properties.

One of the components in the calculation of EUCL, PICC, and CCL rates is USAC receipts, formerly known as Interstate Access Support ("IAS"). Historically, IAS was computed as a per line amount for residential or business lines in high cost study areas. On January 1, 2012, this support was frozen at the study area level as a flat dollar amount. On January 1, 2015, IAS was consolidated into CAF and no longer exists as a separate support mechanism for CMT rates. For ratemaking purposes, Ziply uses an average per line amount of frozen IAS by study area, calculated by dividing the frozen support for each study area by that study area's 2011 lines.

As allowed by §61.48(m)(1)(ii) of the Commission's rules, Ziply pools a portion of the July, 2001 reductions to Local Switching revenues in its multi-line business EUCL and PICC rates. The calculation of the maximum allowable multi-line business EUCL and PICC rates including pooled revenues is shown on Form CAP-4 Tariff Review Plans for the appropriate properties. Computation of the amount of available pooling revenue, how much may be recovered at each tariff unit, how much is unrecoverable, and how much is allocated to each tariff unit is shown on Northwest Fiber Pooling Exhibit.

F. Excluded Services

Exhibit OUTPC provides a detailed listing of those services which are excluded from price cap regulation.

III. USF/ICC Order

A. 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) (2020), Ziply is including the ARC True-Up workbook. Carriers are required to include True-Up Revenues for Access Recovery Charges for the year beginning July 1, 2019. 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 (2020). Ziply extracted the line counts meeting the definition criteria for in-service lines within the time period.

Ziply utilized the "2021 True-Up" template released by the FCC on May 14, 2021 in the *TRP Order*. The FCC spreadsheet provides the methodology for calculating the 2019 ARC True-Up revenues, and the total 2019 ARC True-Up Revenues are included in the Eligible Recovery Form and the 2021 Summary Eligible Recovery Form.

B. Eligible Recovery

Pursuant to Section 51.915(d)(1)(viii), Ziply 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, 2019 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, 2021 Price Cap Carrier Traffic Demand Factor of 34.87% or 35.84% and by the July 1, 2021 non-CALLS study area factor of 90%. This amount was then added to ARC True-Up Revenues and Exogenous Cost ARC recoverable amount found in CAP-5, Line 610, of the Tariff Review Plan to derive the total Eligible Recovery Amount.

C. Summary Eligible Recovery

In compliance with the Commission-approved Summary Eligible Recovery TRP, Ziply, when applicable, has reported its Access Reduction, Net Reciprocal Compensation, Net CMRS, Eligible Recovery, Max ARC Revenue, Residential Eligible ARC Lines, Single-Line Business Eligible ARC Lines, and Multi-Line Business Eligible ARC Lines.

D. Access Recovery Charge

For each residential rate group, Ziply calculated an Access Recovery Charge ("ARC") that was set equal to \$2.50, a level that, in compliance with Section 51.915(e)(5)(i)(E), when added to the other residential rate ceiling components the aggregate rate did not exceed the \$30.00[1] rate ceiling, pursuant to Section 51.915(e)(5)(iii) of the Commission's Rules. 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

[1] See CFR Section 51.915(b)(12)

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.

For each rate group, a forecast of access lines was developed. The forecasted access lines were multiplied by the proposed ARC. At these rate levels, the estimated tariffed ARC revenues do not exceed the eligible recovery amount.

IV. 8YY Access Charge Reform

A. 8YY Access Charge Reform Worksheet

In compliance with the FCC's *8YY Access Charge Reform Order*,[2] Ziply Fiber Telephone Companies are including an 8YY Access Charge Reform Workbook for Ziply Fiber Telephone Companies TARIFF FCC No. 1, 2 and 3. The 8YY Access Charge Reform Order adopted rules requiring price cap incumbent LECs to transition their interstate and intrastate toll free (or 8YY) originating end office access services rate to bill-and-keep over a three-year period. Beginning July 1, 2021, price cap incumbent LECs are required to tariff separate rate elements for toll free and non-toll free interstate and intrastate originating end office access service. Carriers must calculate total revenue from originating end office access service separately based on intrastate and interstate rates and using intrastate switched access demand for each usage based element for the 12-month period beginning July 1, 2019 and ending June 30, 2020. For end office and common line toll free elements, Ziply uses total intrastate originating toll free (8YY) data

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[2] *In the Matter of 8YY Access Charge Reform,* WC Docket No. 18-156**,** *Report and Order,* FCC 20-143, released October 9, 2020 ("8YY Access Charge Reform Order").

from our CABS billing system to develop our toll free (8YY) demand. If, based on these calculations, the intrastate revenues exceed the interstate revenues, the intrastate rates must be reduced to the level of the interstate rates. Ziply has prepared confidential and public versions of this workbook showing the intrastate toll free originating end office access service rate calculations.

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In addition, Ziply also established originating non-toll free tandem switched transport rates for interstate and intrastate equal to the existing originating tandem switched transport rates, and a single rate element of no more than $0.001 per minute for interstate and intrastate joint tandem switched transport access for toll free calls. Ziply also reduced interstate and intrastate toll free database query charges to no more than $0.004248 per query. If database query charges were lower than this rate they were not increased. These tariff changes are also filed in compliance with the applicable state regulations.