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

2023 Mid-Year Access Charge Tariff Filing

Issued September 15, 2023

Description and Justification

I. Introduction

A. Background

Northwest Fiber, LLC d/b/a Ziply Fiber Telephone Companies ("Ziply") hereby submits this filing in support of the upcoming 2023 Mid-Year Access Charge Tariff Filing to implement required exogenous cost adjustments to reflect changes in the Telecommunications Relay Service ("TRS") carrier contribution factor, the North American Numbering Plan Administration ("NANPA") contribution factor, and the annual regulatory fee for Interstate Telecommunications Service Providers ("ITSP"). This filing is being made on at least 16 days' notice, as required by Section 61.58(a)(2)(ii) of the Federal Communications Commission ("Commission") Rules in Part 47 of the Code of Federal Regulations ("C.F.R."), 47 C.F.R. § 61.58(a)(2)(ii).

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, 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).

In addition, this filing revises Ziply's tariffs to reflect the change in the Federal Universal Service Fund Contribution Factor for the 4th Quarter of 2023.

B. New Services

Ziply has no new services to report for the 2023 Mid-Year Access Charge Tariff Filing.

II. Index and Rate Development

A. Existing Indices

The existing indices are those indices that will be in effect on September 30, 2023. See IND for transmittal numbers under which existing indices became effective.

B. Exogenous Costs

Ziply developed exogenous cost changes according to the Price Cap Rules. These exogenous costs were measured at the 2022 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.

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

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.

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

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.

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

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 2023 tariff year are based on the factor of 0.00540 as referenced in *Appendix B of the Assessment and Collection of Regulatory Fees for Fiscal Year 2023 and Review of the Commission’s Assessment and Collection of Regulatory Fees*, MD Docket No. 23-159 & 22-301, Report and Order and Notice of Inquiry, FCC 23-66, released August 10, 2023.

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 2023 tariff year, the fee will be based on the TRS IPCTS factor of 0.01615 and TRS Non-IPCTS factor of 0.00025 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 23-577, released June 30, 2023.

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 2023 tariff year, the fee will be based on the factor of 0.0001047 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 2023 through September 2024," CC Docket No. 92-237, DA 23-675, released August 10, 2023.

C. CMT Per Line Revenue

Section 61.3(d) of the Commission's Rules, 47 C.F.R. § 61.3(d), 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.

D. 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 of the 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.

E. 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), 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, 2021. 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. Ziply extracted the line counts meeting the definition criteria for in-service lines within the time period.

Ziply utilized the "2023 True-Up" template released by the FCC on May 11, 2023 in the *TRP Order*. The FCC spreadsheet provides the methodology for calculating the 2021 ARC True-Up revenues, and the total 2021 ARC True-Up Revenues are included in the Eligible Recovery Form and the 2023 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, 2021 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, 2023 Price Cap Carrier Traffic Demand Factor of 28.24% and by the July 1, 2023 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 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.

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