

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

AN INQUIRY INTO THE STATE)	CASE NO.
UNIVERSAL SERVICE FUND)	2016-00059

INITIAL COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY LLC

The Commission initiated this administrative proceeding on its own motion to investigate the current and future funding, distribution, and administration of the Kentucky Universal Service Fund ("KUSF"), due to the projected depletion of the KUSF by the end of April 2016. Cincinnati Bell Telephone Company LLC ("CBT") was automatically made a party to this proceeding by the Commission's February 1, 2016 Order and hereby files its initial comments in compliance with that Order.

CBT is an ILEC and participates in the KUSF. CBT contributes to the KUSF at the current rate of \$0.08 for each access line it has in Kentucky and CBT draws \$3.50 in support from the KUSF for each of its Kentucky Lifeline customers, which is used to provide a discount to those customers.

The Commission has made the first issue to be addressed the necessity of either increasing the current funding mechanism or reducing the support paid to carriers, on a temporary basis, to maintain KUSF solvency during the pendency of this investigation. The Commission has calculated that to maintain the existing \$3.50 reimbursement rate, the monthly per-line surcharge must be increased to \$0.14 or support levels will need to be

decreased from \$3.50 per line to approximately \$2.00 per line. The Commission sought immediate comment on that issue.

As noted in the Commission's Order, from time to time, the contribution rate to the KUSF has been adjusted (from as low as \$0.03 to as high as \$0.08 per access line) to balance the flow of funds into and out of the KUSF. The current situation is really no different than the past, other than perhaps the scale and timing of the necessary change. Cincinnati Bell would agree that, in the interim, the Commission should maintain the current \$3.50 reimbursement rate for Lifeline customers and adjust the contribution rate to ensure that the KUSF remains solvent. A change to the reimbursement rate would cause carriers to pass through that change to its Lifeline customers, reducing the subsidy, and causing an immediate rate increase to Lifeline customers. In contrast, a change to the contribution rate increasing it from \$0.08 to \$0.14, would be an increase of only \$0.06 per line, a very minor in impact on non-Lifeline customers. The small increase in contribution would be less disruptive to the status quo than a sudden decrease in Lifeline funding. CBT would expect that a permanent solution to the funding issues can be devised by the Commission in a matter of months, so a small increase in the contribution rate is the more palatable choice in the short term over a more dramatic \$1.50 rate increase to Lifeline customers, those who can least afford it.

For these reasons, CBT would suggest that the Commission increase the contribution rate and not reduce the Lifeline reimbursement rate.

Respectfully submitted,

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