



BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska)
Public Service Commission, on)
its Own Motion, to Administer)
the Universal Service Fund)
High-Cost Program.)

Application No. NUSF-99

COMMENTS OF THE RURAL INDEPENDENT COMPANIES IN RESPONSE TO ORDER SEEKING FURTHER COMMENTS

I. INTRODUCTION

The Nebraska Rural Independent Companies ("RIC")¹ submit these Comments in response to the Order Seeking Further Comment entered by the Nebraska Public Service Commission (the "Commission") in this proceeding on June 16, 2015 (the "Order"). RIC has previously filed Comments and Reply Comments on January 14, 2015 and February 9, 2015, respectively, addressing issues raised by the Commission in its Order Opening Docket entered on October 15, 2014. RIC appreciates the opportunity to continue to participate in this docket and to provide the following Comments in response to the Order.

II. DISCUSSION

- 1. Freeze the amount of support allocated to all price cap carriers at the 2015 calendar year level with adjustments based upon overall NUSF remittance receipts.²

¹ Arlington Telephone Company, Blair Telephone Company, Cambridge Telephone Co., Clarks Telecommunications Co., Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., The Curtis Telephone Company, Eastern Nebraska Telephone Company, Great Plains Communications, Inc., Hamilton Telephone Company, Hartington Telecommunications Co., Inc., Hershey Cooperative Telephone Company, Inc., K & M Telephone Company, Inc., The Nebraska Central Telephone Company, Northeast Nebraska Telephone Company, Rock County Telephone Company, Stanton Telephone Co., Inc. and Three River Telco.

² The questions presented by the Commission in the Order for which comments were requested are set forth in italicized text.

The RIC member companies are mindful of the challenges that the Commission confronts when addressing the future direction of the NUSF High Cost Program in light of the practical realities of declining NUSF revenues. Imposition of a “freeze” or “cap” on NUSF High Cost Program support for PC carriers is challenging, particularly in light of increases in broadband speed requirements and the consequent increases in capital needs.

In the event that the Commission ultimately concludes that a freeze is necessary, limiting the duration of the freeze to a discrete, finite time period – such as a program year – should be considered coupled with re-evaluation of any freeze following the resolution of the Commission’s NUSF-100 docket that addresses NUSF contribution reform. If additional NUSF High Cost Program support is available due to increased contributions to the NUSF under a revised contribution system, it would be reasonable for the Commission to re-evaluate the budget for NUSF High Cost Program support for PC carriers operating in Nebraska.

2. *Make an allocation of ongoing support to price cap carriers for continued maintenance of existing voice and broadband networks.*
 - a. *The Commission proposes to set aside 50 percent of each price cap carrier’s frozen support for ongoing costs of provisioning service in Nebraska. The Commission would permit price cap carriers to make a showing to the Commission for an alternative allocation of the frozen high-cost support needed in connection with the continued provision of voice service upon request and thereby potentially adjust the allocation for broadband support set forth in paragraph 3 below.*

Networks are not only deployed and upgraded but are also maintained and operated. The former two categories – deployment and upgrading – are typically referred to as “capital expenditures” or “capex” while the latter two categories – maintenance and operation – are typically referred to as “operational expenditures” or “opex.” The Commission’s recognition of

the uses of NUSF for both capex and opex purposes, in RIC's opinion, is reasonable and appropriate.

As the record is developed in this proceeding, it may also be reasonable for the Commission to consider whether this support should be available only in PC carrier areas that are ineligible for federal CAF Phase II support. For those areas where the PC carrier has accepted the FCC's offer of CAF Phase II support for an eligible area, that acceptance would suggest that the amount is reasonable to meet that capex and opex requirements of the PC carrier for that area. Thus, targeting NUSF High Cost Program dollars to other areas that are ineligible for CAF Phase II support may provide a method by which the Commission can better utilize scarce NUSF dollars to gain greater rural consumer benefits.

Ultimately, RIC supports the Commission's recognition that allocation of state and federal USF support to ongoing network costs is necessary even after broadband-capable facilities are constructed.

b. The Commission proposes the allocation of ongoing support would be subject to continued investment by the carriers in their network.

RIC agrees with the underlying premise of this statement – NUSF dollars should be subject to reasonable accountability standards applied to the recipient of support. Further, this statement also appears to favor the notion that the Commission expects recipients of NUSF High Cost Program support to make use of the 50% support factor that is provided for “ongoing costs of provisioning service in Nebraska” to move the network to the next level of broadband speeds, i.e. such as 4/1 Mbps to a 10/1 Mbps broadband standard. If RIC has correctly interpreted this Commission proposal regarding use of on-going NUSF High Cost Program support, RIC favors this proposal.

- c. The Commission proposes to relieve price cap carriers from the NUSF-EARN Form filing requirement.*

While it may be appropriate to eliminate the EARN form filing requirement for PC carriers, RIC respectfully submits that the Commission may want to consider instituting other accountability requirements to ensure that the policy goals of the NUSF are met.

- d. The Commission proposes to establish an alternative approach for determining whether the NUSF support used by price cap carriers was used for its intended purpose, keeping in mind the statutory requirement to audit, on an annual basis, the use of NUSF high cost support received.*

RIC supports this Commission proposal to insure the proper use of NUSF High Cost Program funding.

- 3. Make an allocation for broadband support in price cap areas.*

- a. The Commission proposes to establish a streamlined process for price cap carriers to annually present a list of the projects for which broadband funding is desired and have the Commission review, and approve or deny the projects.*

RIC supports Commission efforts to establish a simplified, straight-forward set of criteria for review and approval of the broadband projects proposed by PC carriers for annual grant funding from the NUSF High Cost Program.

- b. The Commission proposes to permit price cap carriers to coordinate the use of state high-cost support with their CAF Phase I frozen high-cost support and CAF Phase II support.*

Since the Commission proposes to coordinate NUSF High Cost Program support with CAF II support, projects proposed by the PC carriers to receive NUSF High Cost Program support should be outside of those areas eligible for CAF I and CAF II support. As a general proposition, NUSF High Cost Program support should not be distributed in CAF I and CAF II areas, as CAF II support is specifically designed to cover the entire cost – capex and opex – of the network and its acceptance by the PC carrier suggests that the amounts for those funded areas

are sufficient. NUSF High Cost Program support should be provided only to areas where CAF II is not provided unless a showing is made that the model support is not sufficient.

c. Consistent with the position of a number of commenters, the Commission proposes to disallow broadband support in areas that already have an unsubsidized carrier providing comparable broadband service.

In general, RIC recognizes that universal service funding, both state and federal, should be primarily targeted to high-cost areas and customers that cannot support competitive providers, both voice and broadband. RIC believes such policy is likely appropriate for PC carriers in this proceeding.

In addition, the Commission seeks comments on issues raised by the commenters in this proceeding not specifically listed above. The Commission solicits comments on whether to restrict or eliminate a price cap carrier's ability to take NUSF support if the carrier declines to take advantage of the CAF II funding for Nebraska. If so, what should the threshold be? How would that coincide with the Commission's separate requirement to fulfill the goals of the NUSF Act, specifically in the voice service context?

RIC has no comments at this time on these issues, and reserves comments for the reply comment round.

III.

CONCLUSION

As stated above, the Rural Independent Companies appreciate the opportunity to provide these Comments in response to the questions posed by the Commission in the *Order* and look forward to further participation in this docket.

Dated: June 30, 2015.

Arlington Telephone Company, Blair Telephone Company, Cambridge Telephone Co., Clarks Telecommunications Co., Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., The Curtis Telephone Company, Eastern Nebraska Telephone Company, Great Plains Communications, Inc., Hamilton Telephone Company, Hartington Telecommunications Co., Inc., Hershey Cooperative Telephone Company, Inc., K & M Telephone Company, Inc., The Nebraska Central Telephone Company, Northeast Nebraska Telephone Company, Rock County Telephone Company, Stanton Telephone Co., Inc., and Three River Telco (the "Rural Independent Companies")

By: Paul M. Schudel
Paul M. Schudel, NE Bar No. 13723
pschudel@woodsaitken.com
James A. Overcash, NE Bar No. 18627
jovercash@woodsaitken.com
WOODS & AITKEN LLP
301 South 13th Street, Suite 500
Lincoln, Nebraska 68508
Telephone (402) 437-8500
Facsimile (402) 437-8558

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 30th day of June, 2015, an electronic copy of the foregoing pleading was delivered via electronic mail to:

Nebraska Public Service Commission

Sue.Vanicek@nebraska.gov

Brandy.Zierott@nebraska.gov

All Other Commenting Parties

Paul M. Schudel
Paul M. Schudel