

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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

Application No. NUSF-99

INITIAL COMMENTS OF CITIZENS TELECOMMUNICATIONS COMPANY OF NEBRASKA d/b/a FRONTIER COMMUNICATIONS OF NEBRASKA, QWEST CORPORATION d/b/a CENTURYLINK QC, UNITED TELEPHONE COMPANY OF THE WEST d/b/a CENTURYLINK, AND WINDSTREAM NEBRASKA, INC.

I. Introduction

On June 16, 2015, the Nebraska Public Service Commission (“Commission”) issued an Order Seeking Further Comment in the above-captioned petition. In that Order, the Commission proposes a framework for a separate distribution mechanism for high cost Nebraska Universal Service Fund (“NUSF”) support for price cap carriers in Nebraska. Citizens Telecommunications Company of Nebraska d/b/a Frontier Communications of Nebraska, Qwest Corporation d/b/a CenturyLink QC, United Telephone Company of the West d/b/a CenturyLink, and Windstream Nebraska, Inc. (collectively, the “PC Carriers”) respectfully submit these comments in response to the Commission’s proposal.

II. Reform for Price Cap Carriers

The PC Carriers commend the Commission’s desire “to create policies that incent carriers to make appropriate investment decisions in Nebraska and extend broadband access where it is needed.”¹ The PC Carriers believe the further expansion of broadband access for rural consumers and businesses as well as maintaining the availability of voice services throughout our high cost service areas are worthy goals and should be supported by the NUSF. The PC Carriers appreciate that the Order recognized that all carriers in Nebraska have a need for continuing NUSF support because the costs to operate and maintain the current voice network are higher than the NUSF support received. The PC Carriers believe the Commission’s proposal for shifting a portion of existing funding levels to broadband should be structured

¹ See *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, Order Seeking Further Comment and Setting Hearing, issued June 16, 2015, page 5.

in a manner that complements CAF II funding and will help accelerate the availability of broadband at higher speeds to the state.

A. Allocation Between Voice and Broadband

The Commission must take care that changes it proposes do not inequitably impact consumers based solely on the price cap categorization of their voice service provider. The Commission proposes to freeze the NUSF high cost support allocated to each of the PC Carriers at the levels received in the 2015 calendar year² and that 50% of that funding would be used for the ongoing costs of provisioning voice service in Nebraska while the remaining 50% would be used for broadband service. The PC Carriers support the proposal to freeze the amount of support allocated to each of the PC Carriers at the 2015 calendar year levels, but believe the proposed 50% allocation may jeopardize the adequacy of universal service in the State of Nebraska. Indeed, we note that the Commission's very own distribution model targets support only to high-cost areas—those very areas where costs to maintain and operate voice networks are the greatest and the needs for support most critical. To ensure the least disruption to the PC Carriers' ability to maintain and operate the voice network, the PC Carriers are examining whether there is a more appropriate allocation.

B. Mechanism for Allocating Broadband Support

The PC Carriers urge the Commission to adopt a streamlined process for the application and approval of projects that would be provided support under the broadband portion of the modified high cost program for price cap carriers. We are concerned that the Commission's proposal is similar to the existing broadband grant program in NUSF-92, which is a very manual and labor intensive program, both for the companies applying for support and the Commission. Applications for NUSF-92 support require a significant amount of information, which may be necessary when comparing competing requests for funding, but would be unnecessary when a price cap company is requesting approval for spending a set amount of high cost support on a broadband project. The PC Carriers recommend the Commission allow a price cap company to submit a list of projects for which it requests funding, including information on the scope and area of the project, the number of locations impacted, and the estimated cost. The PC Carriers recommend that the applications be submitted to staff for review and shall be deemed approved within thirty (30) days of filing absent any concerns raised by staff. If staff raises concerns and those concerns are addressed by the carrier, the staff shall notify the carrier in writing that the application is

² The frozen amount would be subject to annual pro-rata adjustments based on any changes in the overall size of the fund.

approved no later than sixty (60) days from the date of the filing of the application. If the application is not approved, the carrier shall have thirty (30) days to submit an alternative application. A PC Carrier also shall have the right to appeal the denial of an application.

The PC Carriers recommend that, through 2018, the Commission allow the broadband component of NUSF support to be used in one or more of three ways: 1) to help offset the cost of deploying broadband service to CAF II eligible locations where the CAF II support is insufficient; 2) to add or augment middle mile facilities necessary to expand end-user access to broadband and to increase speeds for locations where broadband is already available; and 3) to reach unserved locations not eligible for CAF II funding. The FCC's maps, which show served and unserved areas for CAF II funding, should be used to determine whether a location is eligible for support by the NUSF. This will relieve the Commission from having to develop an alternative method to determine if the location is eligible for support. Beginning in 2019, the PC Carriers recommend the Commission allow companies to use the broadband component of support for ongoing maintenance and operating costs, as well as the initial deployment costs, of the broadband network.

As the Commission has discovered with the NUSF-92 broadband grant program, it is not uncommon for broadband project areas to overlap with areas served by unsubsidized carriers. This is especially true for middle mile transport facilities, which must be built in order to deploy broadband service to areas that are further from the central office, but which may traverse areas that already have broadband service available. In addition, because broadband electronics in central offices or broadband nodes serve multiple locations, it may not be possible to direct the deployment of the electronics that are necessary to turn up the broadband service to only those areas that do not have an unsubsidized provider of broadband service. The PC Carriers recommend that the Commission allow middle mile projects that traverse areas that already have broadband service available and reduce the project's eligible cost by the incremental costs related to locations that already have access to broadband service at minimum speeds, as defined by the Commission.

The PC Carriers recommend that applications be subject to a challenge process in only very limited circumstances. Any project that would offset the cost of deploying broadband service to CAF II eligible locations where the CAF II support is insufficient would not be subject to any challenge at all. The FCC has already spent considerable time determining locations that are eligible for CAF II support so it is not necessary for the Commission to recreate that process. For non-CAF2 and middle mile projects, the PC Carriers recommend the Commission limit the challenge process to a challenger providing definitive evidence that broadband service is already available at the minimum speeds, as defined by the Commission, to the locations in question.

The PC Carriers recommend the Commission allow 24 months to complete approved projects, similar to the timeframe permitted under the NUSF-92 broadband grant program. A 24 month timeframe for completion of projects will provide the PC Carriers sufficient time to complete more complex build-out projects. The PC Carriers also note that a 24 month timeframe for completing projects may mean that not all of the funding for a particular year may be used; therefore, the PC Carriers request the Commission consider allowing the companies to carryover a reasonable amount of NUSF support to the following year. In addition, the PC Carriers recommend the Commission allow a company to retarget funding to another project if the cost for an approved project comes in less than estimated.

C. EARN Form

The PC Carriers support the Commission's proposal to eliminate the requirement for the NUSF-EARN form and establish an alternative approach for determining whether the NUSF support provided to price cap companies was used for the intended purpose. The PC Carriers agree that elimination of the NUSF-EARN form would provide a more stable and predictable level of funding which will help incent PC Carriers to make broadband investments in Nebraska and submit that existing processes provide ample documentation for verification that support is being used as intended. The PC Companies are already providing information regarding capital and operating expenditures related to the voice network as part of NUSF-25/66. That information can be used to ascertain that the high cost funding was used as intended. Because the broadband support will be distributed once the company provides invoices and documentation showing the expenditure for the project has been made, the Commission already will have sufficient evidence that the broadband support was used as intended.

D. Conclusion

The PC Carriers appreciate the Commission's concern and attention to the broadband needs of rural Nebraskans. The PC Carriers support the Commission's proposal to freeze high cost NUSF support at 2015 calendar year levels and allocate a portion of that support to broadband networks. We have some concerns over the Commission's proposed 50/50 allocation of high cost NUSF support between the voice and broadband networks and will continue to work with the Commission to determine the appropriate allocation amounts. The PC Carriers recommend that the Commission allow companies to use the broadband support for middle mile projects, CAF II eligible locations, and unserved locations currently ineligible for CAF II support. Finally, the PC Carriers support the elimination of the NUSF-EARN form.

Dated June 30, 2015

Respectfully submitted on behalf of

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 30th day of June, 2015, a true and correct copy of the foregoing was delivered via email and hand-delivery to the following:

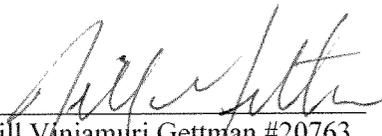
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