

**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

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**REPLY COMMENTS OF CTIA – THE WIRELESS ASSOCIATION®  
IN RESPONSE TO THE COMMISSION’S OCTOBER 15, 2014 ORDER**

**I. INTRODUCTION**

On October 15, 2014, this Commission issued its Order Opening Docket, Seeking Comment and Setting Hearing (the “Order”), initiating a proceeding “to consider certain modifications to the high-cost funding mechanism in the universal service fund program,” and in particular, with respect to price-cap carriers. CTIA – The Wireless Association® (“CTIA”) submitted initial comments (“Initial Comments”) in this proceeding on January 14, 2015, and appreciates the opportunity to offer reply comments.

The record in this proceeding demonstrates that the Commission should act expeditiously to reform the Nebraska USF (“NUSF”) program in order to modernize the NUSF and to reap the benefits of coordination with recent reforms to federal high-cost universal service programs. As noted in CTIA’s Initial Comments, unnecessary duplication of federal and state high-cost support is an inefficient use of limited NUSF funding, and the Commission should move quickly to ensure that the NUSF is reformed in a manner which eliminates such duplication. Parties who suggest the NUSF “status quo” should be maintained, or that the NUSF should remain focused on voice services, disregard broad recognition of the fact that high-cost support is transitioning to

broadband and are contrary to this Commission’s stated goal of the modernization of Nebraska’s universal service program. As such, the Commission should reject such suggestions and proceed with timely reforms to the NUSF to the benefit of Nebraska’s consumers.

## **II. THE RECORD DEMONSTRATES THAT THE COMMISSION SHOULD ACT EXPEDITIOUSLY TO REFORM THE NEBRASKA USF PROGRAM**

As noted in CTIA’s Initial Comments, CTIA supports the Commission’s efforts to account for reforms to federal high-cost programs by better coordinating the NUSF with the FCC’s Connect America Fund (“CAF”). CTIA also believes these reforms are timely and necessary given the substantial changes in the telecommunications market which have taken place over the past decade.<sup>1</sup> To that end, the Commission should not delay in reforming the NUSF in order to prevent unnecessary duplication of federal and state high-cost support.

### *1. The Commission Should Institute NUSF Reforms to Prevent Unnecessary Duplication of State and Federal High-Cost Support*

The Commission’s stated policy objectives preclude comments which call for maintenance of the “status quo” for NUSF support allocation.<sup>2</sup> For example, under the current NUSF system, there are no rules to prevent an applicant from applying for support for the same locations under the NUSF and from the federal high-cost program, regardless of whether only federal support would be sufficient to serve a location. This unnecessary duplication is precisely the sort of situation the Commission should address given its desire to “ensure that broadband deployment is targeted efficiently with CAF broadband centric support.”<sup>3</sup>

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<sup>1</sup> Initial Comments, at 2.

<sup>2</sup> See *Comments of Windstream Nebraska Inc.*, at 7 (seeking to fix price-cap carrier support until at least the year 2021), *Comments of Citizen Telecommunications Company of Nebraska (“Frontier Comments”)* at 3, and *Comments of Qwest Corporation et al.* at 2, (suggesting that the manner in which support is allocated to price cap carriers should not be changed).

<sup>3</sup> Order, at 2.

Further, rejection or postponement of necessary NUSF reform is counter to the Commission's objective of coordinating federal and state high-cost support.<sup>4</sup> While the FCC's Connect America Fund proceeding remains ongoing, the federal reform process need not delay the Commission from adopting reforms which promote greater efficiency at the state level, such as those suggested in CTIA's Initial Comments. Reforms which prohibit unnecessary duplication of federal high-cost support via the NUSF can and should be achieved regardless of the specifics of CAF distribution at the federal level.

2. *The Commission Should Reject Suggestions to Maintain a Legacy, Voice-Focused NUSF, Which Would Disregard the Consumer Preference for Broadband*

The Commission should also reject suggestions that an NUSF focused on voice services is complementary to, and not duplicative of, a federal program focused on broadband.<sup>5</sup> This argument disregards the FCC and the Commission's recognition of evolving consumer preferences over the last decade, and does not serve to modernize the NUSF to account for these trends.

High among these evolving consumer preferences is the strong demand for mobile broadband. The growing adoption of mobile broadband has changed Nebraska's telecommunications marketplace significantly in the ten years since the Commission adopted its current NUSF support mechanism, and any modern NUSF system must take these changes into account. Nebraska has over 600,000 mobile broadband subscribers as of the end of 2013.<sup>6</sup> While mobile broadband subscriptions are increasing, consumers are also leveraging broadband access

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<sup>4</sup> *Id.*

<sup>5</sup> *Frontier Comments*, at 3 ("Philosophically, the focus of the NUSF and the CAF are complementary today. NUSF funding is focused on the continued provision of voice services, and the CAF is focused on the expansion of broadband service. At this point, Frontier does not see any indication of conflict between the programs.")

<sup>6</sup> FCC, *Internet Access Services: Status as of December 31, 2013* (October, 2014), available at [http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2014/db1016/DOC-329973A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db1016/DOC-329973A1.pdf) (last accessed Feb. 4, 2015)

to adopt new and innovative technologies. The vast increase in consumer data use reflects consumer preferences for these new applications: from 2012 to 2013, the amount of data used by wireless consumers nationwide more than doubled, from 1.47 trillion megabytes to 3.23 trillion megabytes.<sup>7</sup> Further, consumer demand for mobile broadband only continues to rise. In North America there were 251 million mobile broadband connections (representing 63% of the region's population) as of September 2014, and LTE connections had risen by 83% over the past twelve months.<sup>8</sup> The wireless industry has invested heavily to meet this demand, with over \$33 billion in infrastructure expenditures by wireless providers in the United States in 2013 alone.<sup>9</sup>

At both the federal and state levels, policymakers understand the increasing consumer demand for broadband, and are reforming their high-cost programs accordingly. The FCC's reforms acknowledge that high-cost support is transitioning to broadband, especially as competitive broadband services enable voice applications. The FCC notes in the second paragraph of its USF/ICC Transformation Order that "[n]etworks that provide only voice service [...] are no longer adequate for the country's communication needs."<sup>10</sup> The Commission's request for comment in this proceeding focuses on "broadband deployment" and highlights the creation of the Nebraska Broadband Pilot Program ("NEBP"), which strongly suggests that the Commission acknowledges this transition as well.<sup>11</sup> For that reason, the Commission should reject any suggestions to maintain the NUSF as a voice-focused program.

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<sup>7</sup> *CTIA Wireless Industry Survey Report - 2014*, available at <http://www.ctia.org/your-wireless-life/how-wireless-works/annual-wireless-industry-survey> (last accessed Feb. 4, 2015).

<sup>8</sup> 4G Americas, "3Q2014: 39% of Worldwide LTE Connections in North America" (Dec. 4, 2014), available at <http://www.4gamericas.org/en/newsroom/press-releases/3q2014-39-worldwide-lte-connections-north-america/> (last accessed Feb. 4, 2015)

<sup>9</sup> *CTIA Wireless Industry Survey Report - 2014*.

<sup>10</sup> FCC, *Connect America Fund et al.*, 26 FCC Rcd. 17663 at para. 2 (2011).

<sup>11</sup> Order, at 2.

3. *A Legacy, Voice-Focused NUSF Would Harm Competition and Require Further Reforms as Consumer Preferences Continue to Evolve*

Beyond running contrary to state and federal policy, maintaining a legacy, voice-focused high-cost support system would disregard the modernization of the telecommunications marketplace in Nebraska to the detriment of consumers. As CTIA noted in its Initial Comments, in order to promote investment in new services and broaden the choices available to consumers, any reforms to the NUSF should result in a competitively- and technologically-neutral allocation of support.<sup>12</sup> If the NUSF remains a voice-focused support mechanism while the marketplace transitions to broadband, it would subsidize certain providers with support from consumers of unsubsidized services, distorting competition to the detriment of the marketplace.<sup>13</sup>

Specifically, a high-cost universal service program focused on voice services would not be technologically-neutral. As noted above, such a system ignores the strong consumer preference for competitive broadband services. Moreover, by focusing on voice services rather than adapting to an increasingly broadband-centric world, the NUSF program could not adapt to future changes in the communications marketplace. As new and innovative technologies continue to shape the marketplace, the Commission should strive to craft a technologically-neutral USF program, which decreases the possibility that further reforms will be necessary in the near future.

The Commission is correct to review and reform the NUSF program in light of the substantial changes in telecommunications policy and the communications marketplace in the ten years since the Commission adopted its current support mechanism. The Commission can best modernize the NUSF program via immediate reforms which prohibit unnecessary duplication of

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<sup>12</sup> Initial Comments, at 5.

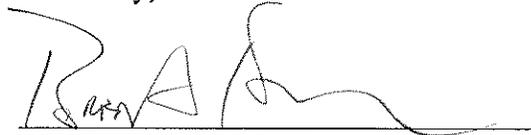
<sup>13</sup> See also Initial Comments, at 4.

state and federal high-cost support, in order to promote the efficient use of limited NUSF funding. Further, the Commission should be guided by the evolution in consumer preferences for broadband, and ensure that reforms to the NUSF program create a competitively- and technologically-neutral program.

### III. CONCLUSION

CTIA believes the Commission's goal of modernizing the NUSF by coordinating state high-cost funding with federal high-cost funding will benefit Nebraska's wireless consumers. Accordingly, the Commission should move expeditiously to implement NUSF reforms, consistent with the principles outlined in CTIA's initial comments, to ensure the modernization of Nebraska universal service policy.

Respectfully submitted this 6th day of February, 2015.



BRET A. DUBLINSKE  
Fredrikson & Byron, P.A.  
309 East 5th Street, Suite 202A  
Des Moines, IA 50309  
(515) 242-8904 (telephone)  
(515) 242-8950 (facsimile)  
bdublinske@fredlaw.com

ATTORNEY FOR  
CTIA – THE WIRELESS ASSOCIATION®