BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public)	Application No. NUSF-139
Service Commission, on its own Motion,)	
to consider appropriate modifications to)	
the high-cost distribution and reporting)	
mechanisms in its Universal Service Fund)	
program in light of federal and state)	
infrastructure grants.)	

COMMENTS OF THE NEBRASKA RURAL INDEPENDENT COMPANIES IN RESPONSE TO JUNE 20, 2025 HEARING OFFICER ORDER AND APRIL 8, 2025 ORDER

The Nebraska Rural Independent Companies ("RIC")¹ submit these Comments in response to the Hearing Officer's Order Seeking Comment and Setting Workshop entered in this matter on June 20, 2025,² and the Order Seeking Comment and Setting Hearing entered by the Nebraska Public Service Commission (the "Commission") in this matter on April 8, 2025.³ In the below Comments, RIC will first set forth the topic or question in response to which comments are requested in the *Hearing Officer Order* and the *April 8 Order* followed by RIC's responsive comments. RIC appreciates the opportunity to provide these Comments to the Commission.

¹ Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., The Curtis Telephone Company, Great Plains Communications, LLC, 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, Sodtown Communications, Inc., and Three River Telco.

² In the Matter of the Nebraska Public Service Commission, on its own motion, to consider appropriate modifications to the high-cost distribution and reporting mechanisms in its Universal Service Fund program in light of federal and state infrastructure grants, Application No. NUSF-139, Hearing Officer Order Seeking Comment and Setting Hearing (June 20, 2025) (the "Hearing Officer Order").

³ Id., Order Seeking Comment and Setting Hearing (April 8, 2025) (the "April 8 Order").

Issue A. The Commission seeks comment on its proposed framework for transitioning NUSF high-cost support to competitive eligible telecommunications carriers.

Before proceeding with a discussion of the Commission's proposed framework for transitioning Carrier of Last Resort ("COLR") obligations and providing NUSF High-Cost Program ongoing expense support ("High-Cost Support") to a competitive local exchange carrier ("CLEC"), a review of applicable statutes and existing Commission Rules is needed. The applicable statutory enactments are the Rural Communications Sustainability Act (the "Sustainability Act");⁴ the Telecommunications Exchange Deregulation Act (the "Deregulation Act");⁵ and the Discontinuation of Service Statute.⁶ The applicable Commission Rules are found in *NE Admin. Code*, Title 291, Chap. 10, Sec. 004.02(G)(i) (the "NUSF Eligibility Rule").

1. Sustainability Act Provisions

The Sustainability Act addresses the transfer of High-Cost Support and COLR obligations.⁷ Section 86-1505(3) provides that "the Commission shall . . .in coordination with the FCC, and in consultation with the incumbent carrier and the competitive provider, determine whether eligible telecommunications carrier and carrier of last resort obligations corresponding with support from the Nebraska Telecommunications Universal Service Fund in the deployment project area should be transferred to the competitive provider." The nature of the coordination activities with the FCC that are envisioned by the Legislature pursuant to this statutory directive

⁴ Neb. Rev. Stat. §§ 86-1501 – 86-1507.

 $^{^5}$ LB 311, §§ 1 – 11, 2025 Legislature (effective Sept. 2, 2025).

⁶ Neb. Rev. Stat. § 86-134 (the "Discontinuation of Service Statute").

⁷ It should be noted that § 86-1505 was amended by LB 311, Section 20 (effective Sept. 2, 2025) to allow either an ILEC *or a CLEC* to request the Commission to relieve the ILEC of its COLR and ETC obligations in a "deployment project area" and to transfer such obligations to a CLEC.

are unclear. This requirement should be clarified and implemented by the Commission regarding its consideration of the transfer of Nebraska Eligible Telecommunications Carrier ("NETC") and COLR obligations from an incumbent local exchange carrier ("ILEC") to a CLEC for a specified support area. In addition, Section 86-324.02(2) directs that beginning on October 15, 2025, the Commission shall not provide High-Cost Support for any broadband serviceable location not capable of providing access to the Internet at speeds of at least 100/20 Mbps.⁸ This requirement must also be taken into consideration in connection with any transfer of High-Cost Support and COLR obligations from an ILEC to a CLEC for a specified support area.

Transfers of COLR and eligible telecommunications carrier ("ETC") designations and of High-Cost Support pursuant to the terms of the Sustainability Act are limited to a "deployment project area" (defined in Section 86-1503(5)) as determined by a "granting agency" (defined in Section 86-1503(7)) in collaboration with the Nebraska Broadband Office and the Commission. Deployment project areas are not tied to existing local exchange areas, and the definition of deployment project areas explicitly states that such areas "may consist of geographical areas in more than one local exchange area."

2. Deregulation Act Provisions

The Deregulation Act, which will become effective on September 2, 2025, provides a process and procedures whereby an electing local exchange carrier may seek deregulation of one of its exchanges. An application is required to be filed with the Commission and detailed findings by the Commission must be made based upon evidence presented at a hearing as a

⁸ An exemption from this compliance date is provided in § 86-324.02(2)(a) if the location is subject to a "federally enforceable commitment."

condition for deregulation of an exchange to be approved. If the application is granted, the carrier is relieved of COLR obligations and will not be provided with High-Cost Support attributable to the deregulated exchange. 10

3. Section 86-134 Provisions

This statute has been in existence since 1986 and provides conditions to be met before a telecommunications company may abandon or discontinue provision of local exchange service. An application is required to be filed with the Commission and the Commission is required to conduct a hearing and to determine whether the requirements of the Discontinuation of Service Statute are met. Additional notification, refund and cost reimbursement requirements are included in this statute. It should be noted that a telecommunications company seeking to discontinue service to an exchange that has been deregulated in accordance with the provisions of the Deregulation Act is exempt from the requirements of the Discontinuation of Service Statute.

4. NUSF Eligibility Rule Provisions

The NUSF Eligibility Rule sets forth the procedural (as well as substantive) requirements for a CLEC to petition the Commission for approval to replace an ILEC that has been designated

⁹ See, LB 311, § 4.

¹⁰ *Id.*, § 7(2).

¹¹ Section 86-134 requires findings "that one or more other telecommunications companies or communications providers (i) are furnishing comparable wireline telecommunications service, including voice over Internet protocol service, to the subscribers in such local exchange area or (ii) have been designated as eligible telecommunications carriers in such local exchange area at the time of discontinuance or abandonment."

¹² See, LB 311, § 10.

as the NETC to receive High-Cost Support for a given support area.¹³ RIC respectfully submits that compliance by a CLEC with this Rule through the filing of a petition with the Commission represents the most rational means to implement the transfer to a CLEC of COLR obligations and eligibility to receive High-Cost Support.¹⁴

If the Commission approves the CLEC's petition, the consequences are that "any carrier of last resort obligations shall be transferred to the competitive telecommunications carrier and the incumbent carrier not receiving High-Cost Support shall no longer have carrier of last resort obligations." ¹⁵

5. <u>CLECs approved to receive High-Cost Support should be subject to the same eligibility and operational requirements as ILECs that receive such support.</u>

RIC believes that a fundamental principle that should govern the provision of High-Cost Support to CLECs is that CLECs that seek such support should be subject to the same eligibility and operational requirements applicable to ILECs, particularly those applicable to Rate-of-

¹³ See, NE Admin. Code, Title 291, Chap. 10, § 004.02(G)(i).

¹⁴ Neb. Rev. Stat. § 86-1507 expressly authorizes the Commission to "adopt and promulgate rules and regulations as necessary to carry out the Rural Communications Sustainability Act." NUSF Rule Section 004.02(G) requires a CLEC petitioner to provide the Commission with the following information in a transfer application: (i) the cost to provide the supported services; (ii) an estimate of the amount of High-Cost Support needed in the support area; (iii) the benefits to consumers; (iv) the supported services to be provided in unserved areas; (v) a demonstration that the quality of service to be provided would equal the existing service or be better than service provided; (vi) a statement that the petitioner will adopt existing interconnection agreements for the support area; and (vii) specific demonstration and documentation of the ability of the petitioner to offer service to everyone on its own network. NUSF Rule Section 001.01(V) defines "support area" as a "geographic area within a service area designated by the Commission in which an NETC receives a specific level of NUSF support." "Service area" is defined in Section 001.01(U).

¹⁵ See, NE Admin. Code, Title 291, Chap. 10, § 004.02(G)(ii).

Return ("RoR") ILECs. ¹⁶ Further, RIC agrees with the Commission's finding that High-Cost Support should be provided to only one facilities-based NETC in a given support area. ¹⁷ However, RIC advocates that a CLEC seeking High-Cost Support should apply for and receive NETC status *prior* to the CLEC being authorized by the Commission to receive High-Cost Support and the transfer of COLR obligations to the CLEC rather than only to make a commitment to apply for such status. The importance to each consumer of uninterrupted continuity in the provision of telecommunications services by a COLR serving consumers' locations outweighs any benefits of transferring these obligations and High-Cost Support based upon only a future commitment by a CLEC to request and obtain NETC status.

Only a telecommunications company designated as an NETC by the Commission for the express purpose of receiving High-Cost Support is eligible to receive such funding. ¹⁸ In order to receive this designation, a CLEC must actually provide the supported services described in Rule 004.02(D) to all requesting users within a specified service area at reasonably comparable rates including the Commission-determined benchmark rates for basic local exchange service. ¹⁹ Additionally, the CLEC must be in compliance with all Commission orders relating to High-Cost Support as well as any criteria that the Commission deems reasonably necessary to carry out the

¹⁶ The Commission appears to agree with this position inasmuch that in its Order opening this docket the Commission stated: "The mechanism in the Commission's rules was designed to ensure . . . that the competitive carrier replacing the incumbent carrier was bound to the same service quality and interconnection requirements." *See* Application No. NUSF-139, Order Opening Docket at p. 16 (Aug. 29, 2023).

¹⁷ See, April 8 Order, at p. 2, fn. 2 and NE Admin. Code, Title 291, Chap. 10, § 004.02(G).

¹⁸ See, NE Admin. Code, Title 291, Chap. 10, § 004.01(A).

¹⁹ See, id., § 004.02(A)(i)-(iv).

goals of the NUSF.²⁰ The CLEC is also required to provide broadband service with minimum service speeds of 100/20 Mbps to locations in the designated support area.²¹

6. <u>Issues regarding the Commission's proposed framework for transitioning High-Cost Support and COLR obligations.</u>

Paragraphs 1 through 3, 5 and 6 of Issue A set forth in the *Hearing Officer Order* and the *April 8 Order* which address the framework for transitioning High-Cost Support and COLR obligations to competitive carriers focus primarily on the procedural considerations. Regarding Issue A, paragraph 1, RIC suggests that the requirements of the NUSF Eligibility Rule Section 004.02 (and particularly Section 004.02(G)) should apply to any CLEC application seeking High-Cost Support and the transfer of COLR obligations for a specified support area.²² Further, RIC agrees with the Commission's suggestions regarding Issue A, paragraphs 2, 3 and 6, that CLEC applications seeking High-Cost Support may be accepted by the Commission "on a rolling basis throughout the year," that such applications should be processed "consistent with the Commission's Rules of Procedure", and that for calendar 2026 any support to be provided to a CLEC would require Commission approval of the CLEC's application by December 31,

Regarding Issue A, paragraph 5, RIC supports the Commission's proposal that annual determinations of support area locations for which a CLEC is eligible to receive High-Cost Support should be required. The acceptability of the suggestion that October 1 be used as the

²⁰ See, id., § 004.02(B) and (C).

²¹ See, Neb. Rev. Stat. § 86-324.02.

²² See, fn. 14 for further discussion.

²³ See, Hearing Officer Order, Issue A, \P 2 and 3 at p. 2 and \P 5, at pp. 3-4.

cutoff date for the annual determination depends on whether such date would provide the Commission Staff with adequate time to determine support distributions and for the Commission to consider and enter an order approving the recommended distributions sufficiently prior to December 31 such that High-Cost Support recipients are able to formulate budgets for the following year. Additional considerations that could impact the cutoff date are whether the FCC's Broadband Data Collection data will be available to verify the locations for which a CLEC seeks High-Cost Support²⁴ and whether a challenge process will be allowed regarding the accuracy of the location data submitted by a CLEC.²⁵

7. <u>RIC's comments regarding the Commission's proposed elements set out in Issue A, paragraph 4 regarding required contents of a CLEC's application for High-Cost Support.</u>

The *Hearing Officer Order* and the *April 8 Order* state a framework with which a CLEC must comply to receive High-Cost Support.²⁶ The requirements of this framework are in substantial conformity with the requirements of the *NUSF Eligibility Rule* that RIC recommends should govern transfers of High-Cost Support and COLR obligations to CLECs.²⁷

 $^{^{24}}$ Issue A, ¶ 4.e of the *April 8 Order* indicates that a CLEC is expected to report serviceable locations through the FCC's Broadband Data Collection process.

²⁵ For a general discussion of these considerations, *see* Application No. NUSF-139, Progression Order No. 5, Findings and Conclusions and Order Authorizing Payments at pp. 15-16 (Jan. 14, 2025).

 $^{^{26}}$ See, Hearing Officer Order, $\P\P$ 4.a through 4.m at pp. 2-3.

²⁷ See, pp. 6-7 supra. This is particularly true in light of the requirements of Rule Sections 004.02(B) (requiring compliance with all Commission orders relative to eligibility to receive High-Cost Support) and 004.02(C) (allowing Commission imposition of additional criteria to carry out the goals of the NUSF).

Subject to the following exceptions, RIC agrees with and endorses the requirements of the framework set forth in Issue A, paragraph 4. However, RIC also reiterates its previous statement that CLECs that seek High-Cost Support should be subject to the same eligibility and operational requirements applicable to RoR ILECs.²⁸ RIC's exceptions to the Commission's list of requirements for CLEC applications seeking High-Cost Support are:

- Paragraph 4.b: As stated above, RIC believes that a CLEC's commitment to become an NETC is insufficient. A CLEC should be required to obtain NETC status as a *condition precedent* to filing an application seeking NUSF support.²⁹
- Paragraph 4.c: This paragraph uses the terms "service territory." In order to utilize terms currently defined in the Commission's NUSF Rules, RIC suggests that this paragraph be revised to read: "An election to take on COLR obligations in the described service area with a specific description of the support area within the service area." The terms "service area" and "support area" are defined by Commission Rules.³⁰
- Paragraph 4.d: Not only should the application require the CLEC's commitment to serve all locations within the service area (as defined by NUSF Rule 001.01(U)). Further, if the CLEC seeks designation of a service area below the study area level of a RoR ILEC, the CLEC application should set forth an analysis to demonstrate that designation of the proposed service area would not constitute "cream skimming."³¹

²⁸ See, supra at pp. 5-7.

²⁹ See, supra at p. 6.

³⁰ See, fn. 14 supra.

³¹ Commission statements in the Order opening this docket confirm that this concern regarding "cream skimming" is real. *See* Application No. NUSF-139, Order Opening Docket at p. 20 (Aug. 29, 2023). Further, Title 291, Chap. 5, § 009.02 sets forth requirements for designation of ETCs. Section 009.02C "Study Area Level" provides: "In instances where an eligible telecommunications carrier applicant seeks designation below the study area level of a rural telephone company, the Commission shall also conduct a cream skimming analysis." Although this requirement is not included in NUSF Rule Section 004.01 governing designation of NETCs, RIC submits that sound public policy requires the Commission to conduct a cream skimming analysis when a CLEC's requested service area for which High-Cost Support and COLR designation are requested is within and is not co-extensive with the RoR ILEC's study area.

• Paragraph 4.g: Regarding the requirement that the CLEC commits to offer "affordable and reasonably comparable services at a rate which is at or below the benchmark rate," it should be understood that the referenced rate includes rates for both broadband service and basic local exchange service. For 2025, the benchmark for broadband services offered at 100/20 Mbps is \$85.85 per month.³² The Commission previously found that a range of basic local exchange rates from \$17.50 to \$19.95 per month to be reasonably comparable.³³

8. Request for clarification of eligibility limitations stated in paragraph 7.

As a final comment by RIC regarding Issue A, RIC does not have a clear understanding as to the meaning and intent of the eligibility limitations stated in Issue A, paragraph 7. An explanation of this paragraph by the Commission Staff would be helpful.

Issue B. The Commission seeks comments on (1) whether and to what extent to use a carrier agnostic cost model for the purpose of determining relative costs for High-Cost Support distribution; and (2) whether periodic updates of any cost model utilized by the Commission should be made.

When the Commission issued the *April 8 Order*, interested parties including RIC, had little understanding of the CostQuest Associates' carrier agnostic cost model. RIC appreciates the Commission's willingness to schedule and conduct the Workshop on May 14 and the Technical Conference on June 17, both of which provided valuable information regarding this model.

The *Hearing Officer Order* regarding this Issue B presents a three-part question regarding the use of cost modelling in connection with determination of costs for distribution of 2026 High-Cost Support as follows: (1) Should the Commission continue to use the State Broadband

³² See Application No. NUSF-139, Progression Order No. 5, Findings and Conclusions and Order Authorizing Payments at p. 17 (Jan. 14, 2025).

³³ In the Matter of the Nebraska Public Service Commission, on its own motion, to make adjustments to the universal service fund mechanism established in NUSF-26, Application No. NUSF-50, Order at p. 9 (Dec. 19, 2006).

Cost Model ("SBCM")?; (2) Should the Commission replace the SBCM with a carrier agnostic support area ("CASA") model?; or (3) Should the Commission use a composite of both the SBCM/CASA models?

RIC urges the Commission to continue its use of the SBCM to determine costs for distribution of 2026 High-Cost Support for locations in areas served by RoR ILECs, subject to input updates as described below. RIC opposes the use of the CASA model or a composite of the SBCM/CASA models to determine costs for distribution of 2026 and future High-Cost Support for locations in areas served by RoR ILECs.³⁴

RIC's primary takeaway from the Workshop and Technical Conference is that the goal of the CASA model is to develop forward-looking "Greenfield" costs "to provide an independent view of how a network could be built by taking an agnostic view of BSLs and community anchor institutions." RIC recognizes the relevance of this goal in the context of NTIA's Broadband Equity, Access, and Deployment ("BEAD") Program which was created to implement a competitive bidding process to accomplish broadband buildout in currently unserved or underserved BSLs. However, based upon best available data, all but 306 locations served by RoR ILECs in the State of Nebraska either (a) are currently provided with broadband access at

³⁴ In the *Hearing Officer Order* at page 4, the Commission also requests comments regarding the advisability of using a composite of both the SBCM and CASA models for the purpose of determining relative costs for High-Cost Support distribution. RIC's opposition to the adoption of a composite of the SBCM and CASA models is *conditional*. This conditional opposition is based upon RIC's inability to offer informed comments as to the advisability of using a composite model unless and until an opportunity is provided to review and analyze the outputs of the SBCM using updated cost inputs (see discussion below), the outputs of the CASA model and SBCM/CASA composite outputs.

³⁵ See, CostQuest Associates June 17, 2025 Technical Conference PowerPoint presentation before the Commission, p. 11. "BSLs" are Broadband Serviceable Locations.

speeds of at least 100/20 Mbps or greater, or (b) are subject to a federally enforceable commitment for deployment of infrastructure capable of providing 100/20 Mbps broadband access.³⁶

The foregoing facts present an entirely different context for determination of broadband service costs as compared to the 14,298 unserved or underserved locations in Nebraska that are available for BEAD funding³⁷ based on a technology-neutral competitive bidding process in which CASA modeled costs are relevant. Simply stated, BEAD funding will, for all practical purposes, not be applicable to locations served by RoR ILECs in Nebraska and there will be no competitive bidding for broadband deployment to such locations that justifies implementation of a CASA model.

There is no rational justification for replacement in RoR ILEC service areas of the Commission-approved SBCM that models costs based on the existing network architecture with the CASA model that models costs based on a theoretical network design that might be implemented in a Greenfield context. Experience since the introduction of competition for local telecommunications services nearly 30 years ago has demonstrated that there is no economically sustainable basis for facility overbuilding by CLECs in rural, low density high-cost locations. In

³⁶ These location counts are based on information provided through FCC Public Notice, DA-23-779, released August 30, 2023, Wireline Competition Bureau Announces Enhanced Alternative Connect America Cost Model Support Amounts Offered to Rate-of-Return Carriers to Expand Rural Broadband, WC Docket No. 10-90, A-CAM 2.6.0 Solution Set, Table 1.2 Location Counts of Unserved Locations. Updates of location counts were based on Broadband Data Collection Availability File as of December 31, 2024.

³⁷ See, June 24, 2025 email from Rachel Kilcoin, Communications Director of the Nebraska Broadband Office.

short, there is no basis to support the replacement of SBCM with the CASA model to determine costs for locations served by RoR ILECs in this State.³⁸

The Commission also requested comments regarding the question as to whether cost models should be subject to periodic updates. RIC has previously filed comments in this docket addressing the desirability of periodic updates to the SBCM cost model.³⁹ During inflationary times such as 2020 through 2024, updates to the cost inputs for the SBCM should occur with greater frequency. However, in more normal economic times, updating cost inputs every three years should be adequate, and RIC recommends implementation of this practice by the Commission.

Issue C. The Commission also seeks comments on the use of a minimum support base amount in the high-cost distribution mechanism as a replacement to the glide path used in 2025.

The RIC member companies have evaluated the Commission's proposed "minimum support base amount" calculation set forth in the *April 8 Order*⁴⁰ as a replacement to the "glide path" utilized in the distribution of High-Cost Support in 2025. RIC supports implementation of the "minimum support base amount" proposal. However, RIC requests an explanation from the Commission Staff of the rationale for proposing the monthly support cap of \$100 per location. How was this cap determined? Was this cap established based upon an assumption that the

³⁸ RIC reiterates its previously stated position that unless and until an opportunity is provided to review and analyze the outputs of the SBCM using updated cost inputs and the outputs of the CASA model, RIC opposes the use of an SBCM/CASA composite to determine costs. *See*, fn. 34 *supra*.

³⁹ See, Section II.B Comments of the Nebraska Rural Independent Companies, pp. 8-12 (Nov. 17, 2023).

⁴⁰ See April 8 Order at p. 5.

earnings test/redistribution would be retained in 2026 and future years? Was this cap established based upon any assumed budget for High-Cost Support for 2026 and future years?

Issue D. Continuing discussions among interested parties concerning the retention of, the elimination of, or possible revisions to the NUSF EARN Form and process.

RIC is willing to participate in discussions with other interested parties, with or without the presence of Commission Staff members, to explore the retention of, the elimination of, or possible revisions to the NUSF EARN Form and process.

RIC nonetheless emphasizes that if the requirements of the current NUSF EARN Form and process are retained in current form or are revised for continuing application to RoR ILECs, then the same requirements must be applied to CLECs seeking High-Cost Support. This requirement is consistent with paragraph 4.h of the Commission's proposed framework for transitioning support and obligations to competitive carriers which would require the competitive carrier to undertake a "commitment to filing the NUSF EARN Form, or any replacement filing, on an annual basis."

Conclusion

As stated above, the Nebraska Rural Independent Companies appreciate the opportunity to provide these Comments in response to the *April 8 Order* and the *Hearing Officer Order*. RIC looks forward to continuing its participation in this proceeding.

⁴¹ See, id. at p. 3 and Hearing Officer Order at p. 2.

Dated: July 1, 2025.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 1st day of July 2025, electronic copies of the foregoing pleading were delivered to the Nebraska Public Service Commission at psc.nusf@nebraska.gov and to the parties of record in this proceeding.

Paul M. Schudel