

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska)	Application No. NUSF-139
Public Service Commission, on its)	
own motion, to consider appropriate)	COMMENTS OF THE RURAL
modifications to the high-cost distribution)	TELECOMMUNICATIONS
and reporting mechanisms in its Universal)	COALITION OF NEBRASKA
Service Fund program in light of federal)	(PROGRESSION ORDER NO. 10)
and state infrastructure grants.)	

The Rural Telecommunications Coalition of Nebraska (“RTCN”)¹, by and through its undersigned counsel of record, submits these Comments in response to the Commission’s Progression Order No. 10 entered in the above matter on April 28, 2026.

A. SMALL CARRIER SUPPORT CALCULATION FRAMEWORK

The Commission’s Order seeks comment on two separate alternative concepts for calculating NUSF support for small RLECs: (1) a minimum base support amount (“MBSA”) calculation and (2) an “actual cost” based calculation method. For the reasons explained in detail below, the RTCN supports implementation of *both* concepts as options which may be elected by an eligible small RLEC. Prior to discussing our support of each alternative calculation method, we thought it useful to initially describe our suggested framework for eligibility and election of these two alternative support calculation methods.

1. Eligibility for Small RLEC Support Methodology

The Commission’s Order seeks comment on the qualifications for use of any alternative support calculation methods. Issues relating to inaccurate cost modeling appear limited to small

¹ For purposes of this proceeding, the RTCN consists of the following carriers: Arapahoe Telephone Company d/b/a ATC Communications; Benkelman Telephone Company, Inc., Cozad Telephone Company, Hartman Telephone Exchanges, Inc., Diller Telephone Company, Southeast Nebraska Communications, Inc., Pierce Telephone Company, and Wauneta Telephone Company.

RLECS. Thus, we believe the alternative support calculation methods should be limited to such carriers.

The Commission's Order suggests that the "threshold" qualifying consideration for eligibility may be the number of exchanges served by the carrier – i.e. those having a single exchange or a handful of exchanges. RTCN's position is that qualifying carriers based on the number of actual exchanges operated is not helpful. A carrier may serve less than 500 locations, and therefore certainly fall within the "small RLEC" category, but at the same time operate numerous rural and sparsely populated exchanges that have 100 or less locations each. Limiting the use of alternative support calculations based on a single exchange or handful of exchanges will likely produce illogical results.

Instead, the threshold should be expressed in terms of total eligible locations served at the carrier or company level. We suggest that the Commission define a "small RLEC" for which the alternative support calculations would be available as any RLEC serving 2,000 *or less* eligible locations.

We suggest that the term "eligible location" generally follow the Commission's earlier Order in this docket defining NUSF-support eligible locations² using the following criteria:

- The location must be served at speeds of at least 100/20 or subject to a federally enforceable commitment to provide speeds of at least 100/20
- The location must not be served by a wireline competitor providing speeds of at least 100/20

² *Findings and Conclusions and Order Authorizing Payments* dated January 14, 2025, Nebraska Public Service Commission Docket No. NUSF-139

- The location must be in a high-cost area³

2. Election Timing

The RTCN suggests that any eligible small RLEC be permitted to trigger the alternative support calculation methods by making an initial election, and that once an election is made the carrier be subject to the chosen alternative support calculation methodology for a period of three years. This would reduce the administrative burden of having to manage eligibility and support elections on an annual basis, while still keeping the process on a cycle that would prevent elections from becoming overly “stale.”

B. USE OF A MINIMUM SUPPORT AMOUNT

The RTCN supports the minimum base support amount (“MBSA”) proposal set forth in Section A of the Commission’s Progression Order. As the Order notes, this proposal would largely duplicate the results of the Commission’s “glide path” mechanism used in 2025 and 2026. Adoption of the MBSA proposal would be consistent with the RTCN’s earlier Comments and testimony in this docket where we encouraged the Commission to consider “safe harbor” mechanisms that ensure support recipients an ongoing support base.⁴

One of the Legislature’s fundamental goals for Nebraska universal service policy is “specific, predictable, sufficient, and competitively neutral mechanisms to preserve and advance universal service.” Neb. Rev. Stat. § 86- 323(5)(emphasis supplied) In 1997, the Legislature foresaw the need for universal service funding to be delivered in a predictable, stable manner –

³ Determined using the Commission’s traditional definition of census blocks with the following: 1) less than 20 households; 2) less than 42 households per square mile; and 3) not part of a census designated city or village.

⁴ *Comments of the Rural Telecommunications Coalition of Nebraska* dated November 17, 2023, Nebraska Public Service Commission Docket No. NUSF-139; *Prefiled Direct Testimony of Shaun Barkley on behalf of the Rural Telecommunications Coalition of Nebraska* dated August 6, 2024, Nebraska Public Service Commission Docket No. NUSF-139; *Comments of the Rural Telecommunications Coalition of Nebraska* dated November 25, 2024, Nebraska Public Service Commission Docket No. NUSF-139.

not annually subject to changes outside the control of providers – as a means of encouraging continued business investment in rural, high cost areas. Providing a stable, consistent base amount of annual ongoing support will ensure that providers can plan on, and will make, network investments based on NUSF ongoing support. Development of a minimum annual base support amount would also promote better predictability and stability of NUSF ongoing support funding for small RLECs.

We ask that the Commission clarify the MBSA calculation method set forth in the Order. Our understanding is that an eligible small RLEC utilizing the MBSA calculation method would receive a *maximum* of \$100 in support per month per eligible location. Essentially, the maximum amount would apply at eligible locations where the modeled cost to serve exceeds \$163.69. For eligible locations where the modeled cost to serve is between \$63.69 and \$163.69, the calculated MBSA amount would equate to the modeled cost to serve less \$63.69. For eligible locations where the modeled cost to serve is less than \$63.69, the MBSA amount would be \$0.

1. EARN Form Modifications

The Commission’s Progression Order suggests that MBSA calculations should be subject to the earnings test and invites comments on the topic. Throughout the course of this docket, the RTCN has consistently taken the position that the NUSF EARN Form paradigm for accountability should be discontinued (or at least modified) because the system has outlived its usefulness for reasons which we have detailed extensively.⁵

⁵ *Comments of the Rural Telecommunications Coalition of Nebraska* dated November 17, 2023, Nebraska Public Service Commission Docket No. NUSF-139; *Prefiled Direct Testimony of Shaun Barkley on behalf of the Rural Telecommunications Coalition of Nebraska* dated August 6, 2024, Nebraska Public Service Commission Docket No. NUSF-139; *Comments of the Rural Telecommunications Coalition of Nebraska* dated November 25, 2024, Nebraska Public Service Commission Docket No. NUSF-139.

Similar to the Commission’s earlier “glide path” mechanism, it appears that the MBSA proposal will (at least initially) benefit a handful of smaller carriers. One important distinguishing factor for such carriers is the timing and scope of their typical infrastructure investment cycles. Most larger, multi-exchange carriers annually upgrade and maintain portions of their network infrastructure. This consistent spending cycle leads to fairly stable investment and depreciation expense levels reported on the NUSF EARN form and in turn produces consistent earning levels. In other words, we do not observe larger, multi-exchange carriers frequently bouncing back and forth between underearning and overearning.

Smaller, single-exchange carriers find themselves in a different situation because their typical infrastructure investment cycles are longer. Because these smaller carriers operate and maintain a smaller amount of network infrastructure, they generally perform network upgrades on a more periodic (as opposed to every year) basis. It is not economically beneficial to perform small segments of such work each year; rather, such work is done all-at-once on a cycle that may span ten years between significant projects. This produces a “peak and valley” effect for such carriers with the EARN form. For a number of years during and after an investment, the expenses and depreciation generated assist their earnings position. However, during the lull between investment cycles, they do not generate significant expenses and depreciation and therefore tend to “overearn” and suffer penalties in the NUSF methodology.

Current NUSF EARN form rules permit carriers to utilize a three year average of plant infrastructure investments. While helpful, the three year average limitation does not allow smaller carriers to smooth out the “peaks and valleys” they experience on the NUSF EARN form as a result of their typically longer investment cycles. The RTCN requests that the Commission implement a ten year average for such investments on the NUSF EARN form. We do not

believe this change would negatively impact larger carriers that have more consistent infrastructure investment levels. It would produce more consistent NUSF EARN form results for smaller carriers, promoting predictability.

2. Inflationary Adjustments

The Order seeks input on “the frequency of adjustments to MBSA calculation including any inflationary adjustments.” Because we suggest that eligible carriers be permitted to elect one of the alternative support calculation methods on a three year cycle, we also suggest that the Commission revisit the MBSA calculation on a three year cycle. Each three year examination should seek comment and evidence on whether the MBSA calculation requires adjustment. As a benchmark for required adjustments, the RTCN suggests that the Commission focus on changes in the average modeled costs to serve used in the SBCM.⁶

3. Exemption from Budget Control Mechanisms

Because the MBSA (or other adopted alternative support calculations) are intended to operate as a true minimum or base amount of support, we suggest that calculated support under these mechanisms be exempted from and/or not subject to the Commission’s typical budget control mechanisms. It is the Commission’s practice to control or modify the amount of calculated support annually to a budgeted amount determined by the Commission based on current NUSF Fund levels and anticipated revenues. As articulated above, if support calculated under the alternative mechanisms is subject to reduction in this manner, then it cannot act as a true “minimum” level of support that a small RLEC can predictably and sustainably rely upon for the purpose of investing in its high-cost area networks.

⁶ If information is received more frequently by the Commission related to changes in the average modeled costs to serve under the SBCM, then adjusting the MBSA monthly per location amount could reasonably be done on shorter intervals (perhaps annually).

B. OTHER PROPOSALS FOR CALCULATING NUSF SUPPORT

The RTCN agrees with the proposition that the SBCM does not, in all cases, accurately estimate the cost of service for certain carriers, particularly those that are small, rural incumbent local exchange carriers (RLECs) operating one or a handful of exchanges. While the RTCN does not have a specific proposal to put forward in this regard; we support the development and adoption of alternative support calculation methods which permit carriers to substitute more accurate information of their costs over SBCM model outputs, where appropriate.

The Commission's Order also seeks input as to how a carrier may trigger such options (if adopted) and the timeframe for which the alternative methodology should apply. We suggest that carriers be permitted to elect receipt of NUSF support under the alternative methodology, and that once an election is made the carrier be subject to the alternative methodology for a period of three years. After the initial election, the carrier would be required to demonstrate (and the Commission would verify) actual costs that would be utilized in the NUSF support calculation for the three year period. This would reduce the administrative burden of having costs demonstrated and verified every year, but keep the process on a cycle that would prevent cost determinations from becoming overly "stale."

C. ADJUSTMENTS TO NUSF SUPPORT

The Commission's Order prompts comments on a series of questions related to the long-standing practice of mid-year revisions to the high-cost distribution mechanism. We agree with the Order's characterization of these revisions as "relatively minor" with the exception of the 2026 mid-year revisions which were more significant as a result of the addition of eligible locations. The Commission's Order asks whether making such mid-year adjustments produces

“less predictable” NUSF support and whether such practice (as it relates to the addition of eligible locations) should be continued.

While we acknowledge that stability and predictability of support are foundational considerations under the NUSF Act, the RTCN believes that carriers serving eligible locations should receive support at those locations at the earliest reasonable opportunity. For a variety of administrative reasons, most carriers already experience “lag” between the time they begin serving an eligible location and the commencement of support at that location. Prohibiting a carrier from picking up support at an eligible location through the mid-year adjustment mechanism would create another administrative barrier to the timely receipt of support. We do not think it necessary or appropriate to create another barrier of that type. Therefore, we do not agree that mid-year adjustments should be limited to the correction of errors or NUSF EARN Form revisions. Alternatively, we do agree with the Commission’s suggestion that additional language to put companies “on notice” that over-earning redistributions are “tentative” and subject to revision may help avoid difficulties.

DATED: May 28, 2026

**RURAL TELECOMMUNICATIONS
COALITION OF NEBRASKA**

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Telephone Company, Inc., Cozad
Telephone Company, Diller Telephone
Company, Hartman Telephone
Exchanges, Inc., Southeast Nebraska
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