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February 12, 2015

VIA OVERNIGHT DELIVERY

Mr. Steve Meradith
Nebraska Public Service Commission
1200 N Street, Suite 300
Lincoln, Nebraska 68508

Re: Application No. NUSF-100

Dear Mr. Meradith:

Enclosed are the original and one (1) copy of the Initial Comments of Charter Fiberlink – Nebraska, LLC in connection with the above-referenced proceeding. Please file the comments in your usual fashion and return one (1) file-stamped copy to us in the enclosed self-addressed envelope.

If you have any questions regarding the foregoing, please contact the undersigned.

Sincerely,



Kennard B. Woods
Counsel for Charter Fiberlink – Nebraska, LLC

KBW/nh

Enc.

cc: Charter Fiberlink – Nebraska, LLC
Charles A. Hudak, Esq.

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public)	Application No. NUSF-100
Service Commission, on its Own Motion,)	PI 193
To Consider Revisions to the)	
Universal Service Fund Contribution)	INITIAL COMMENTS OF CHARTER
Methodology)	FIBERLINK - NEBRASKA, LLC
)	

Charter Fiberlink - Nebraska, LLC (“Charter”) submits these initial Comments for the Nebraska Public Service Commission’s (the “Commission”) consideration in the above-captioned proceeding. Charter’s comments are filed pursuant to the Commission’s Order Opening Docket and Seeking Comment (“Order Opening Docket”), entered on November 13, 2014. Charter appreciates the opportunity to comment regarding whether the current revenue-based methodology for contributions to the Nebraska Universal Service Fund (the “NUSF”) should be revised.

Revenue-based assessments on intrastate wireline and wireless telecommunications services and interconnected VoIP (nomadic and fixed) services currently support the NUSF. In the Order Opening Docket, the Commission expresses concern that the assessable base for NUSF contributions is eroding as customers migrate to services for which the NUSF surcharge is not remitted, and that “increasing the NUSF surcharge on a declining base of revenues is [not] sustainable to replace declining NUSF collections.” The Commission also maintains that federal safe harbor allocations have resulted in more surcharge revenues being captured by federal rather than by state support mechanisms.

The federal universal service fund programs are supported by revenue-based assessments on interstate and international telecommunications services, as well as the services of private carriers, payphone aggregators and interconnected VoIP service providers. The contribution base supporting the federal universal service system is undergoing significant change, including from the decline of traditional wireline service and the growth of mobile wireless services. The federal universal service system is also stressed by the continuing growth of state and federal subsidy programs. As pointed out by the Federal Communications Commission (the “FCC”) in its *Universal Service Contribution Methodology* order,¹ federal universal subsidy programs grew from \$4.5 billion in 2000 to \$8.1 billion in 2011. Recent announcements by the FCC indicate there will be a significant expansion of the E-rate program and, notwithstanding recent reforms, the Lifeline program is uncapped.

Accordingly, the FCC is in the midst of determining what reforms to make to the federal contribution method. Apparently realizing the complexity of the task of contribution reform, the FCC last year decided to refer the issue to the Joint State-Federal Board,² which was requested to issue a recommended decision by April 7, 2015. The “net neutrality” decision concerning the governance and potential reclassification of broadband services, presently scheduled for February 26th, has further complicated the issues the FCC must resolve.

¹ *Federal-State Joint Board on Universal Service, Universal Service Contribution Methodology*, WC Docket No. 96-45, WC Docket No. 06-122, Further Notice of Proposed Rulemaking, FCC 12-46 (rel. April 30, 2012).

² *See Federal-State Joint Board on Universal Service, Universal Service Contribution Methodology, A National Broadband Plan for Our Future*, WC Docket No. 96-45, WC Docket No. 06-122, GN Docket 09-51, Order, FCC 14-116 (rel. Aug. 7, 2014).

As an initial matter, therefore, any significant contribution reform undertaken in Nebraska should adhere to the following basic principles:

First, Nebraska should not get out in front of the FCC's reform efforts. Changing the contribution methodology at this time would be difficult and costly for providers, particularly given that the FCC and other state utility commissions currently use revenue-assessment methodology, and momentous and largely unforeseen changes at the federal level appear to be imminent and could result in further regulatory changes.

Second, Charter agrees with and commends the Commission for its conclusion in the Order Opening Docket to not "consider[] the assessment of broadband services." Any expansion of assessments to implicate broadband service could result in significant market disruptions and impairment of broadband deployment.

Third, Charter understands the Commission's concern with the federal safe harbor allocations. However, Charter does not use the FCC safe harbor with respect to contribution allocations for the NUSF. Instead, Charter bases its contributions to the NUSF on a traffic study. It may be worthwhile for the Commission to explore ways in which traffic studies can be facilitated and thereby used to a greater extent by providers in Nebraska.

Last, contribution reform should not be invoked by any commenter as a pretext for increasing the size of universal service funding, which would undermine efforts to ensure fiscal responsibility for these subsidy programs. The Nebraska contribution rate of 6.95% is among the highest when compared with other state commissions. The FCC contribution factor for first quarter 2015 is 16.8%. The financial burden on end user customers should be a key consideration in efforts to reform contributions.

Respectfully submitted this 12th day of February, 2015.

By: *Kennard B Woods*

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CERTIFICATE OF SERVICE

The original and one copy of the foregoing Initial Comments of Charter Fiberlink-Nebraska, LLC are being delivered on February 13, 2015 to the Nebraska Public Service Commission, 1200 N Street, Suite 300, Lincoln, Nebraska 68508, and a copy of the same is being e-mailed on the same date to:

Nebraska Public Service Commission
Sue.Vanicek@nebraska.gov
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