

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service Commission, on its Own Motion, to Consider Revisions to the Universal Service Fund Contribution Methodology

Application No. NUSF-100
PI-193

Reply Comments of Windstream Nebraska, Inc.

Windstream Nebraska, Inc. (“Windstream”) hereby submits reply comments in response to the direct comment filings of other parties. In this reply, Windstream asserts: (1) There is no need to add a separate investigative docket to address the size of the state fund, consider impact of the FCC’s Connect America Fund Phase II (“CAF II”) distributions on state USF support, or audit the uses of state USF funds, as Cox advocates in its direct comments; and (2) Before the Commission considers changing the contribution methodology to a hybrid approach, such as the half revenues-based / half connections-based approach the Rural Telecommunications Coalition of Nebraska (“RTCN”) suggested in its direct comments, the Commission should carefully consider whether a hybrid approach may be too difficult to administer.

I. A Separate Investigation Docket Is Not Needed.

We disagree with Cox that a separate investigation docket is necessary to address the size of the USF, the impact of CAFII on state USF, or whether audits are necessary to determine if USF support is being used for its intended purpose. The Commission already has three separate dockets open on specific subjects related to state universal service reform: (1) NUSF-99, initiated through an order entered October 15, 2014, addresses whether the Commission should consider modification to the high-cost funding mechanism for price cap carriers to complement

federal universal service reform; (2) The instant docket, NUSF-100/PI-193, initiated by order entered November 13, 2014, addresses the contribution methodology; and (3) NUSF-102/PI-194, initiated by order entered March 24, 2015, addresses whether the Commission should obtain a license to the CostQuest state model. Windstream submits that the issues Cox suggests for a separate investigation docket can either be addressed in the existing proceedings or should wait for the other proceedings to conclude.

Cox has already raised two of the issues – whether the receipt of CAF funds lessens the need for future NUSF support and whether or not NUSF funds are being used for their intended purposes¹ – in direct comments it filed in NUSF-99. Cox addressed those issues without recommending that the Commission initiate a separate docket. Other parties had the opportunity to address Cox’s assertions in reply comments in NUSF-99 and further scheduling from the Commission is pending. Cox does not explain why, suddenly, a separate investigative docket of some sort has become necessary to address those two matters. The Commission can address those subjects in due course in NUSF-99.

With respect to the size of the fund, Cox fails to demonstrate why it is necessary for the Commission to consider the size of the fund in a fourth review proceeding at this time. The Commission is taking incremental steps, and there is nothing inherently flawed with the Commission’s taking a measured approach under the circumstances. Moreover, even if the current needs and size of the fund should be reviewed, there is no apparent reason for why the contribution methodology question already before the Commission should take a back seat now, particularly in light of the concerns the Commission (and most commenters) have expressed

¹ Cox direct comments, at p. 3.

regarding an assessment base that continues to shrink, putting fund goals at risk. Windstream urges the Commission to move forward with the contribution methodology proceeding without issuing a separate proceeding at this time to consider the size of the fund.

II. A Hybrid Contribution Methodology May Be Difficult to Administer.

The hybrid approach proposed by RTCN would likely pose an unnecessary administrative burden on both the Commission and providers. One of the guiding principles Windstream advocated for in its direct comments was that any contribution methodology should be easy to administer. CenturyLink also supported this as a guiding principle for reform.² In its direct comments, RTCN, without addressing ease in administration, proposed that the Commission consider a hybrid contribution methodology, whereby half of the fund's target balance would come from a revenues-based assessment and the other half would come from a connections-based assessment.³ What is unclear from RTCN's proposal is how such a hybrid methodology – which despite its merits would be intuitively more complex – would impact administrative costs, including the costs of collection, remittance, monitoring, and auditing. Based on Windstream's understanding of the RTCN proposal, a hybrid methodology probably would not be easier to administer than a unified methodology and should only be considered if there is a clear case presented to the contrary, a case that so far has not been made by RTCN or any other party in this proceeding.

In sum, Windstream commends the Commission for initiating this proceeding to address the shrinking assessment base that is putting fund goals at risk. For the reasons noted above, we

² Century Link said that the contribution system “should be easy to administer, simple to apply, and reliably enforced.” Century Link Direct Comments, p. 3.

³ RTCN Comments, at pp. 3-4.

urge the Commission to move forward with this proceeding without initiating a separate proceeding to consider the size of the fund, the impact of CAF II on state USF, and whether the USF support is being used for its intended purpose. We also caution the Commission against adopting a hybrid approach without evidence that such an approach would not be unduly burdensome.

Respectfully submitted this 13th day of
April, 2015.

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Certificate of Service

The undersigned hereby certifies that on this 13th day of April 2015, an electronic copy of the foregoing was emailed to the following:

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