

**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

**REBUTTAL TESTIMONY OF ROBERT LOGSDON**

**ON BEHALF OF**

**COX NEBRASKA TELCOM, LLC**

**APRIL 21, 2017**

**RECEIVED**

**APR 21 2017**

**Nebraska  
Public Service Commission**

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.**

2 A. My name is Robert Logsdon and my business address is 11505 West Dodge  
3 Road, Omaha, NE 68154.

4 **Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?**

5 A. I am testifying on behalf of Cox Nebraska Telcom, LLC. Cox is certificated by  
6 this Commission to provide local exchange and interexchange  
7 telecommunications services in Nebraska.

8 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY ON BEHALF OF**  
9 **COX IN THIS DOCKET ON MARCH 24, 2017?**

10 A. Yes. My employment history, job responsibilities and educational background  
11 were provided as a part of my Direct Testimony.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. The purpose of my rebuttal testimony is to summarize the points that were  
14 commonly raised by others who also filed Direct Testimony on March 24, and to  
15 provide the Commission with input how the Commission should proceed in light  
16 of that testimony.<sup>1</sup> In addition, Cox would like to respond to the new options that  
17 Commission Staff presented in Direct Testimony, as well as the alternative that  
18 was suggested by the Rural Independent Companies ("RIC").

19 **Q. DID YOU SEE ANY COMMON POSITIONS TAKEN IN THE DIRECT**  
20 **TESTIMONY THAT WAS FILED MARCH 24, 2017?**

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<sup>1</sup> In addition to Cox, Direct Testimony was submitted on behalf of the following: Citizens Telecommunications Company of Nebraska d/b/a Frontier Communications of Nebraska ("Frontier"), United Telephone Company of the West, Inc., d/b/a CenturyLink and Qwest Corporation, Inc. d/b/a CenturyLink QC ("CenturyLink"), Charter Fiberlink-Nebraska, LLC, ("Charter"), CTIA – The Wireless Association ("CTIA"), Level 3 Communications, Inc., ("Level 3"), the Nebraska Rural Independent Companies ("RIC"), the Rural Telecommunications Coalition of Nebraska ("RTCN"), Windstream Nebraska Inc., ("Windstream") and the Nebraska Public Service Commission Staff ("PSC Staff"). Comments were filed by NE Colorado Cellular Inc., d/b/a Viaero Wireless.

1     **A.**     Yes. First, all but the Rural Telecommunications Coalition of Nebraska  
2             (“RTCN”) expressed reservations regarding the tiered revenue approach to assess  
3             the surcharge to business customers.<sup>2</sup> Most parties concurred that the approach  
4             was unduly complicated, discriminatory in the resulting surcharges that would be  
5             assessed, and likely beyond carriers’ billing system capabilities.<sup>3</sup> Overall, there  
6             was widespread agreement that the approach was not workable. Therefore, it is  
7             Cox’s recommendation the Commission reject the proposal that was suggested for  
8             billing business customers in the NUSF-100 Order dated February 22, 2017  
9             (hereinafter referred to as “the February Order”).

10            Second, Cox noticed much of the filed Direct Testimony posed many questions  
11            back to the Commission. Some parties, such as Windstream indicated they were  
12            unable to provide meaningful responses to the Commission’s questions citing the  
13            lack of information that had been presented.<sup>4</sup> Parties asked questions about the  
14            Form 477 and how it would be used to assess business customers.<sup>5</sup> Presumably,  
15            the Commission will follow the FCC’s protocol to obtain Form 477 data and  
16            ensure such information is not subject to review, and remains confidential. But  
17            such is not indicated or apparent in the February Order. What is abundantly clear  
18            from the Direct Testimony is that more information is needed for carriers to  
19            understand this and other important details as the Commission migrates toward a  
20            connections-based surcharge.

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<sup>2</sup> RTCN Testimony at 4-5.

<sup>3</sup> CenturyLink Testimony at 6; Charter Testimony at 14-15; Frontier Testimony at 7-8; Level 3 Testimony at 3-5; RIC Testimony of Ken Pfister at 11 & 17; and Windstream Testimony at 10-11.

<sup>4</sup> Windstream Testimony at 6-7.

<sup>5</sup> Charter Testimony at 6 & 10.



1 Third, there was obviously a lack of clarity regarding the application of the  
2 surcharges given the Direct Testimony that was filed by many parties. For  
3 example, Charter reasonably asks if wireless resellers will be required to remit the  
4 NUSF surcharge as only facilities-based wireless service providers report data for  
5 Form 477 purposes.<sup>6</sup> Wireless resellers presently remit the NUSF surcharge and  
6 should not avoid doing so going forward under a new collections-methodology.  
7 Any result that requires some customers to pay the surcharge while exempting  
8 others would be discriminatory and anti-competitive. Furthermore, the Direct  
9 Testimony of Frontier and CenturyLink claim the proposal favors wireless  
10 carriers, while the CTIA states the proposal favors wireline companies.<sup>7</sup> While  
11 ironic, it demonstrates that each have a unique interpretation of the surcharge  
12 application and that there is obviously a lack of detail in the February Order, and  
13 carriers are forced to speculate as to what was intended or resort to ‘filling in the  
14 blanks’ in order to make the proposal make sense.  
15 Finally, several parties raised concerns related to the proposed budgets in the  
16 February Order. Cox agrees with the Direct Testimony of CenturyLink stating no  
17 details are provided how the proposed budgets were developed for each of the  
18 NUSF programs, and with such significant increases, more information should be  
19 provided to ensure funds are being used appropriately before Nebraska consumers  
20 and businesses are required to foot the bill for the increased size of the program.<sup>8</sup>  
21 CenturyLink, a recipient of NUSF high-cost support goes on to state there is no  
22 information showing how the Commission determined \$54 million as the

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<sup>6</sup> Charter Testimony at 12.

<sup>7</sup> CenturyLink Testimony at 4; Frontier Testimony at 3; and CTIA Testimony at 30.

<sup>8</sup> CenturyLink Testimony at 6.

1 appropriate amount for the high-cost program.<sup>9</sup> In addition, it is unclear to Cox  
2 how Commission Staff accounted for the various amounts that are being provided  
3 under the legacy federal USF program, and for amounts awarded and/or offered  
4 under the forward-looking CAF programs.

5 **Q. GIVEN THESE OBSERVATIONS, DO YOU HAVE**  
6 **RECOMMENDATIONS FOR THE COMMISSION?**

7 **A.** Yes. It is apparent more information must be provided before a connections-  
8 based methodology is ripe for implementation. In saying this, Cox is not  
9 indicating a resistance to adopting a connections-based methodology, but rather  
10 pointing out that such a dramatic change will be fraught with problems and will  
11 ultimately fail if it is not implemented with clear understanding of the need for the  
12 size of the fund, in addition to how the Commission will reasonably assure that  
13 funds are being expended most efficiently to accomplish the stated goals. The  
14 dearth of information at this time makes the change unduly risky at this time.  
15 To remedy this, Cox agrees with the proposal suggested by many commenters  
16 that further information must be disseminated. Cox recommends, as it did  
17 previously that workshops should be held so collaboration can occur between  
18 staff, carriers and affected customers to develop a workable product that is widely  
19 understood. Workshops were also advocated in the Direct Testimony of Charter  
20 and Level 3, and were previously advocated for in comments by CenturyLink and  
21 Windstream.<sup>10</sup>

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<sup>9</sup> Id., at 7.

<sup>10</sup> Charter Testimony at 10; Level 3 Testimony at 4; CenturyLink Comments, filed herein June 6, 2016 at 6; and Windstream Comments, filed herein June 6, 2016 at 7.



1 As a part of a workshop, a discussion could be had regarding the budget  
2 proposals. For example, the Commission announced in the February Order there  
3 would be a Low-Income Broadband Program, and a large expansion to the Low-  
4 Income Voice Program. But as RIC points out in Direct Testimony, the  
5 Commission may wish to wait to proceed and coordinate with the ultimate design  
6 of the FCC program. RIC goes on to state it expects to provide more input on this  
7 docket in the future. Cox concurs that the timing of this should be examined, and  
8 like RIC suggests whether actions should be postponed until details from the FCC  
9 regarding the future of both programs are solidified. This would be an excellent  
10 topic of discussion in a workshop, rather than proceeding with the collection of  
11 money that may prove unnecessary and be set aside for an indeterminate time.  
12 In addition, a workshop could be held regarding the application of federal  
13 funding. An open dialogue showing with transparency that federal support has  
14 been taken into consideration would aid in amassing support for the Fixed  
15 Broadband Program. Cox, CTIA and Charter all indicated concern that the  
16 February Order does not disclose with any detail how federal support, current or  
17 forthcoming has been accounted for.<sup>11</sup> A workshop topic could also answer  
18 unresolved questions regarding the Form 477.  
19 A series of workshops, broken down by topic could be held over the summer  
20 months, with telephonic participation allowed for subject matter experts from out  
21 of state. The workshops would enable the involvement of additional stakeholders,  
22 such as representatives of large enterprise business customers who may be faced  
23 with paying higher surcharge rates under a new collections mechanism.

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<sup>11</sup> CTIA Testimony at 19-20; and Charter Testimony at 16.

1   **Q.   HOLDING WORKSHOPS OVER THE SUMMER COULD DELAY A**  
2   **JANUARY 1, 2018 IMPLEMENTATION. DO YOU HAVE ANY**  
3   **RECOMMENDATIONS HOW THE COMMISSION COULD ADDRESS**  
4   **THAT ISSUE?**

5   **A.**    Yes. It is abundantly clear that more information must be presented  
6   before a connections-based mechanism can be safely implemented. The  
7   Commission should not confine itself to an arbitrary, self-imposed deadline and  
8   ignore the extensive input it received in Direct Testimony that critical questions  
9   remain unanswered.

10   While the Commission has expressed concern the fund will not be able to meet its  
11   statutory obligations in 2018, this concern is largely unsubstantiated. Nonetheless,  
12   there is a rational solution that does not involve plunging forward with the present  
13   deficient and faulty record. If necessary, the Commission can access the reserve  
14   fund to maintain the level of support in 2018 to continue supporting statutorily  
15   required services. If the amount in the reserve is insufficient to stabilize the fund,  
16   which seems unlikely given its present balance, the Commission could increase  
17   the current revenue-based surcharge of 6.95% until the connections-based  
18   mechanism is properly and logically implemented. While the Commission may  
19   balk at the idea of raising rates, such an outcome will seemingly occur under the  
20   connections-based methodology anyway since the need for greater revenue  
21   recovery is the primary, if not sole purpose of the docket. An increase to the  
22   current revenue-based surcharge would be far superior than proceeding in haste  
23   with an untested, unproven methodology that may not even accomplish the  
24   Commission's goals. Even if the connections-based methodology generates the  
25   revenue the Commission hopes, implementation will not come without turmoil



1 and confusion given the absence of details that have been disclosed to carriers  
2 thus far.

3 Stabilization of the fund can be achieved in 2018 under the current methodology  
4 while a thoughtful, reasonable connections-based methodology is created. As  
5 Charter pointed out in Direct Testimony, continuing with the revenue-based  
6 system is the most trusted system yet devised.<sup>12</sup> Such is especially true compared  
7 to a system that is immersed with unanswered questions and unresolved concerns.  
8 CenturyLink seemingly agrees with a more cautionary approach, saying the first  
9 priority should be to stabilize the fund to prevent further decline<sup>13</sup>. And after  
10 completion of a thorough investigation of the fund's goals, CenturyLink states the  
11 Commission can consider revising the fund to an appropriate level.<sup>14</sup>

12 **Q. THE COMMISSION STAFF PRESENTED THREE ALTERNATIVES IN**  
13 **THE DIRECT TESTIMONY OF CULLEN ROBBINS. DO YOU HAVE**  
14 **ANY OPINION REGARDING STAFF'S TESTIMONY?**

15 **A.** Yes. First, I commend the Commission Staff for offering options in lieu  
16 of the tiered revenue categories that were presented for business customers. As I  
17 stated earlier, there is widespread agreement this approach is unworkable.  
18 Second, I would like to compliment the Commission Staff on the simplification of  
19 the new options that were presented. These options, however, do point to the  
20 need for some thoughtful discussion regarding the appropriate level of surcharges  
21 between residential and business, fixed and mobile, and single line versus multi-  
22 line business. However, Staff fails to include any further information that  
23 answers the questions Cox and several others have asked in Direct Testimony.

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<sup>12</sup> Charter Testimony at 16.

<sup>13</sup> CenturyLink Testimony at 10.

<sup>14</sup> Id.



1 Therefore, while Staff's proposals are an improvement, substantial questions  
2 remain unanswered that are integral to this proceeding.

3 It is unclear how the Form 477 will be used to count the connections of business  
4 customers. Will there be a cap on business customers who have large volumes of  
5 connections with high-capacity facilities, as suggested by Level 3  
6 Communications?<sup>15</sup>

7 Absent a cap, the Commission's proposal in the February Order, as well as the  
8 options proposed by PSC Staff in Direct Testimony have dramatic fiscal  
9 implications for businesses with a need for higher-capacity services, such as  
10 ISDN Primary Rate Interface ("PRI") circuits. For example, a PRI provides the  
11 equivalent of 23 access lines, and may be priced at \$475/month. If the PRI is  
12 presumed to be entirely intrastate in its use, the present 6.95% surcharge on \$475  
13 yields a NUSF contribution of \$33.13/month. The Commission's proposals, by  
14 counting the PRI's 23 lines as 23 connections, generate starkly different  
15 remittances figures.

16 Under the February Order, falling in the \$200 to \$500 revenue tier, the NUSF  
17 payment for a \$475 PRI would be \$500.71. Under the PSC Staff's new proposals,  
18 the present 6.95% surcharge rate will become a 50% surcharge under Alternative  
19 1, collecting \$239.20. A 41% NUSF surcharge level will be experienced under  
20 Alternative 2, collecting \$197.11. And a 32% NUSF surcharge will be assessed  
21 under Alternative 3, collecting \$150.65. It cannot be the Commission's intent or  
22 desired outcome to go from a 6.95% surcharge to those astonishing levels.

23 However, it is highly unlikely the Commission intends to count the PRI as one

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<sup>15</sup> Level 3 Testimony at 3.

1 connection, and that the total remittance would be \$10.40, \$8.57 or \$6.55 under  
2 the PSC Staff's Alternatives.

3 Before the Commission proceeds to a connections-based mechanism, it must take  
4 these real-life outcomes into consideration. Insufficient information has been  
5 distributed to date how the Commission intends to avoid foisting massive fiscal  
6 challenges onto Nebraska's higher-volume business customers as a result of this  
7 docket.

8 Cox and others have many other unanswered questions. For example, will there  
9 be a phase-in for implementation? If so, what will it look like? How was the  
10 Low-Income Broadband Program budget developed? What need has been shown  
11 to triple the budget of the Low-Income Voice Program from \$400,000 to upwards  
12 of \$1.2 million? Given the lack of finality regarding these programs at the federal  
13 level, it appears fiscally irresponsible to amass such a sizeable budget that will be  
14 stockpiled for mere possible use. Other parties included additional questions in  
15 their Direct Testimony regarding items that need to be more fully understood.

16 **Q. FINALLY, THE RIC PRESENTED AN ALTERNATIVE PROPOSAL IN**  
17 **THE DIRECT TESTIMONY OF KEN PFISTER. DO YOU HAVE AN**  
18 **OPINION REGARDING THE RIC PROPOSAL?**

19 **A.** Yes. Cox agrees with the RIC of the need to avoid "rate shock" when  
20 making modifications to the contribution mechanism.<sup>16</sup> On the surface, it appears  
21 the RIC proposal may provide greater simplicity and potentially lessen the  
22 customer confusion that accompanies the other proposals. Additionally, some  
23 rationale for the level of proposed surcharges is provided which cannot be said for

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<sup>16</sup> RIC Testimony of Ken Pfister at 20.

1 the other proposals. However, the proposal suggested by the RIC to concurrently  
2 assess surcharges on a revenue-basis, and a connections-basis for one year is  
3 inordinately complex and may be administratively burdensome.<sup>17</sup> As previously  
4 indicated, the adoption of the RIC proposal, or any of those proffered by the PSC  
5 Staff or other parties in Direct Testimony should first be discussed in workshops  
6 so as to increase understanding and minimize ambiguity. After workshops and in  
7 consideration of a full record in this proceeding, the Commission could then move  
8 forward with confidence and assurance that the needs and interests of Nebraska  
9 are best satisfied. The goal should be to minimize the chaos and disruption that  
10 could occur with the transition to a new collections mechanism. This goal should  
11 outweigh any perceived need to rush this process. This is particularly true since  
12 opportunities exist to stabilize the fund for 2018 as this docket is properly  
13 finalized.

14 **Q. DO YOU HAVE ANY FINAL RECOMMENDATIONS?**

15 **A.** Yes. Cox strongly recommends the Commission focus its efforts on  
16 maintaining a NUSF that is sized similarly to that which exists today, in the 40-50  
17 million dollar range to fund current NUSF programs. The Commission should  
18 defer building a NUSF that is nearly double in size until it is readily apparent the  
19 new programs and the increases to the existing programs are needed, and are  
20 appropriate. Collecting money for a massively larger NUSF budget, but vetting  
21 the needs for the budget later on is not rational. The ratepayers of Nebraska  
22 cannot afford, nor should they have to accept unsubstantiated increases to their

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<sup>17</sup> Id., at 25.



1        telephone bills. Should the FCC determine broadband connections are assessable  
2        in the future, as the RIC advocates for, perhaps the NUSF could be increased with  
3        the advent of a new revenue source.<sup>18</sup> However, the Commission should focus its  
4        immediate efforts on implementing a surcharge that provides stability and  
5        predictability for the NUSF at its current size, not using this undertaking to  
6        simultaneously incorporate new, untested and significantly larger programs into  
7        the NUSF budget without further discussion and input.

8        **Q.       DOES THIS CONCLUDE YOUR TESTIMONY?**

9        **A.**       Yes.

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<sup>18</sup> RIC Testimony of Ken Pfister at 12 & 19.

## Certificate of Service

The undersigned hereby certifies that on this 21<sup>st</sup> day of April, 2017, five copies of the Rebuttal Testimony of Cox Nebraska Telcom, LLC in NUSF-100, PI-193 were hand-delivered to the Nebraska Public Service Commission, 300 The Atrium, 1200 N Street, Lincoln NE and a copy of the same has been e-mailed to the following:

### Nebraska Public Service Commission

Sue Vanicek [sue.vanicek@nebraska.gov](mailto:sue.vanicek@nebraska.gov)

Brandy Zierott [brandy.zierott@nebraska.gov](mailto:brandy.zierott@nebraska.gov)

### Association of Teleservices International, Inc.

Matthew Ottemann [mottemann@mcgrathnorth.com](mailto:mottemann@mcgrathnorth.com)

### Rural Independent Companies

Paul Schudel [pschudel@woodaitken.com](mailto:pschudel@woodaitken.com)

Thomas Moorman [tmoorman@woodsaitken.com](mailto:tmoorman@woodsaitken.com)

James Overcash [jovercash@woodsaitken.com](mailto:jovercash@woodsaitken.com)

### Rural Telecommunications Coalition of Nebraska

Andy Pollock [apollock@remboltlawfirm.com](mailto:apollock@remboltlawfirm.com)

Troy Kirk [tkirk@remboltlawfirm.com](mailto:tkirk@remboltlawfirm.com)

### Charter Fiberlink-Nebraska LLC

Kennard B Woods [kwoods@fh2.com](mailto:kwoods@fh2.com)

Michael Moore [Michael.moore@charter.com](mailto:Michael.moore@charter.com)

### Frontier Communications

Scott Bohler [scott.bohler@ftr.com](mailto:scott.bohler@ftr.com)

### Windstream Communications

Matthew Feil [matthew.feil@windstream.com](mailto:matthew.feil@windstream.com)

Steve Meradith [stephen.meradith@windstream.com](mailto:stephen.meradith@windstream.com)

### Qwest Corporation d/b/a Century Link QC

Jill Vinjamuri Gettman [jgettman@gettmanmills.com](mailto:jgettman@gettmanmills.com)

Norm Curtright [norm.curtright@centurylink.com](mailto:norm.curtright@centurylink.com)

### CTIA – The Wireless Association

Ben Aron [baron@ctia.org](mailto:baron@ctia.org)

Matt DeTura [mdetura@ctia.org](mailto:mdetura@ctia.org)

Chuck Keller [ckeller@wbklaw.com](mailto:ckeller@wbklaw.com)

### Viaero Wireless

Loel Brooks [lbrooks@brookspanlaw.com](mailto:lbrooks@brookspanlaw.com)

  
Deonne Bruning