

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

RECEIVED

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

APR 21 2017

Nebraska
Public Service Commission

REPLY TESTIMONY OF KEN PFISTER ON BEHALF OF THE
NEBRASKA RURAL INDEPENDENT COMPANIES

I. INTRODUCTION - WITNESS BACKGROUND AND TESTIMONY
ORGANIZATION

Q. Please state your name, employer, business address and telephone number.

A. My name is Ken Pfister. I am employed with Great Plains Communications, Inc. ("Great Plains"). My business address is 1600 Great Plains Centre, P.O. Box 500, Blair, Nebraska 68008. My business telephone number is (402) 426-6413.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Rural Independent Companies ("RIC").¹ Each of the RIC member companies provides local telephone exchange, exchange access and broadband access services in rural areas of Nebraska subject to the jurisdiction of this Commission.

Q. What is your current position?

A. I am Vice President-Strategic Policy for Great Plains, responsible for the Company's regulatory activities in the state and federal jurisdictions.

Q. Are you the same Ken Pfister who filed direct testimony is the above captioned docket on March 24, 2017?

¹ Arlington Telephone Company, The Blair Telephone Company, Clarks Telecommunications Co., Consolidated Telco, Inc., Consolidated Telcom, Inc., Consolidated Telephone Company, Curtis Telephone Co., Eastern Nebraska Telephone Company, Great Plains Communications, Inc., Hamilton Telephone Company, Hartington Telecommunications Co., Inc., Hershey Cooperative Telephone Co., K. & M. Telephone Company, Inc., The Nebraska Central Telephone Company, Northeast Nebraska Telephone Company, Rock County Telephone Company and Three River Telco.

A. Yes, I am.

Q. Have you reviewed the pre-filed direct testimonies submitted by other interested parties in this docket on March 24, 2017?

A. Yes. I have reviewed the testimonies filed by the CenturyLink companies (“CenturyLink”), CTIA-The Wireless Association® (“CTIA”), Charter FiberLink – Nebraska, LLC and Time Warner Cable Information Services (“Nebraska), LLC (“Charter”), Citizens Telecommunications Company of Nebraska d/b/a Frontier Communications of Nebraska (“Frontier”), Cox Nebraska Telecom, LLC (“Cox”), Level 3 Communications, Inc. (“Level 3”), the Rural Telecommunications Coalition of Nebraska (“RTCN”), the Staff of the Nebraska Public Service Commission (the “Commission”) (which testimony will be referred to as the “Staff Testimony”), and Windstream Nebraska, Inc. and its affiliates (“Windstream”). I also note that NE Colorado Cellular, Inc. d/b/a Viaero Wireless (“Viaero”) filed comments.

Q. Have you also reviewed the direct and reply testimonies that have been or are being filed in this docket by the Rural Independent Companies’ witnesses Dan Davis and Edit Kranner?

A. Yes.

Q. How is your reply testimony organized?

A. As I did with my pre-filed direct testimony, I have organized my reply testimony to respond to certain of the questions that the Commission presented in its February 22, 2017 Order (the “February Order”) entered in this proceeding. I have responded to the interested parties’ testimonies based upon the Commission’s question that is most closely related to the witness’ statements. As noted in reference to the Staff Testimony, when I reference testimony filed in this proceeding (including that filed the Rural Independent

Companies or “RIC”), I will use the name of the party followed by the word “Testimony” to reference the party’s testimony.

Q. Do you have any overall observations regarding the scope of this docket?

A. Yes, I do. While I recognize that the Commission included proposed 2018 Nebraska Universal Service Fund (“NUSF”) Program budgets in Table 4 of the February Order and has also offered four different rate designs for a connections-based contributions mechanism as attachments to the February Order and the Staff Testimony, this docket is *not* about the establishment of 2018 NUSF Program budgets that might be implemented via a connections-based contributions mechanism. Rather, as the caption of this docket clearly states, the Commission opened this docket, on its own motion, “*to consider revisions to the universal service fund contribution methodology.*” (emphasis added) The limited purpose of this docket was set forth in the Notice of Publication of the opening of the docket made on November 17, 2014 which I understand was required by law.²

In the February Order the Commission requested comments relative to a “balance” between accomplishing the goals of various NUSF Programs and the impact of surcharge levels on consumers. (February Order at p. 25) This purpose stands in contrast to the establishment of a new NUSF Program or the funding levels of existing NUSF Programs.³ Thus, the testimonies offered by various interested parties on Table 4 budgets

² I am advised that the requirements relating to publication of notice of the opening of the filing of an application with the Commission are found in *Neb. Rev. Stat.* § 75-110.01 and Commission Rule of Administration § 011.06.

³ Historically, the Commission has received evidence and has established new NUSF Programs or funding levels for existing NUSF Programs in separate dockets such as the High-Cost Program, Applications NUSF-50, NUSF-99 and NUSF-108; wireless tower construction grants,

should be viewed in the context of the “balancing” issue presented by the Commission rather than in the context of actual implementation of these budgets in this docket.

Further, although RIC offered its own rate design for a connections-based contribution mechanism, and the Commission or its Staff has offered four (4) alternative rate designs for consideration, parties should not expect the Commission to approve the *specific surcharge rates* for a final rate design in this application. In its adoption of the Nebraska Telecommunications Universal Service Fund Act (“NTUSFA”), the Legislature required the Commission to annually set the level of funding needed to carry out the purposes of the NTUSFA. Section 86-328(1) of the NTUSFA provides:

Annually the commission shall hold a public hearing to determine the level of the fund necessary to carry out the Nebraska Telecommunications Universal Service Fund Act. The commission shall publish notice of the hearing in at least one newspaper of general circulation in the state at least once each week for two consecutive weeks before the hearing. After the hearing, the commission shall determine the amount of the fund for the following year, including a reasonable reserve.

Historically, this annual determination of the NUSF funding level has been accomplished by the Commission’s publication of notice of hearing, conducting of a public hearing and entering of an order in Application No. NUSF-4.⁴ Therefore, while the Commission will consider and establish a *rate design* for a connections-based contribution mechanism in

Application NUSF-69; and Low Income Voice support (NTAP), Application NUSF-2, Progression Order No. 7.

⁴ *In the Matter of the Commission, on its own motion, seeking to determine the level of the fund necessary to carry out the Nebraska Telecommunications Universal Service Fund Act effective fiscal year beginning [insert applicable date]*, Application NUSF-4. The most recent NUSF-4 Order Setting Surcharge was entered on June 7, 2016 for the year July 1, 2016 through June 30, 2017. It would seem prudent for the Commission to schedule the Section 86-328 hearing for this summer, with the publication of notice of the hearing a reasonable and appropriate time prior to the hearing date.

this docket, the Commission will not set *specific surcharge rates* that would establish the “level of the fund necessary to carry out” the NTUSFA in this docket.

Q. Do you also have any general comments regarding the pre-filed direct testimonies filed in this proceeding?

A. Yes. As a general matter there is sufficient direct testimony relating to the issues raised in the February Order that supports the Commission’s adoption of a connections-based NUSF contribution mechanism that jurisdictionally relies on the ability of the end user to originate and receive intrastate telecommunications services through the use of the connection. This connections-based NUSF contribution mechanism would replace the current NUSF contribution mechanism that is based upon intrastate telecommunications service revenues.

Some pre-filed direct testimonies either criticize or directly oppose the adoption of a connections-based mechanism, or for that matter oppose the Commission taking any additional action in this proceeding. It appears that these parties have raised issues to delay the Commission’s approval of NUSF contribution reform. Any such delay should not occur since the Commission has already amply demonstrated that NUSF contribution reform is an urgent matter due to the continued erosion of the NUSF remittances generated by the current NUSF contribution mechanism.

Further, we regard the Alternative 3 rate design attached to the Staff’s Testimony as a constructive step forward in that it is based upon flat rate monthly surcharges derived from connections as reported in Form 477 program of the Federal Communications Commission (“FCC”). This Alternative 3 rate design also reflects the traditional policy position that business users are typically heavier users of intrastate telecommunications services and as a result, business users should bear a greater per-connection surcharge

than residential users. Moreover, with the Staff's offering of this Alternative 3 in lieu of the business user rate design originally proposed in Attachment A to the February Order, many of the concerns raised in the parties' direct testimonies (such as billing system and administration issues) have been addressed. Although the actual rates of Alternative 3 to the Staff Testimony differ from RIC's proposal attached to my pre-filed Direct Testimony as Attachment One, the proposals are conceptually similar. But again, the level of NUSF surcharges will be properly addressed in a separate proceeding after the Commission adopts a new contributions mechanism in this docket.

II. QUESTIONS PRESENTED IN THE FEBRUARY ORDER ON WHICH THE COMMISSION REQUESTED PRE-FILED TESTIMONY

Q-II.1 Does RIC have responses to the reactions of interested parties provided in their pre-filed direct testimonies to the Commission's suggestion on page 18 of the February Order that the contribution reform mechanism proposed by the Commission is competitively neutral, stable and easy to administer?

1. Is the Commission's NUSF contribution proposal competitively neutral?

Q. Do you believe the Staff's Alternative 3 rate design is competitively neutral?

A. Yes, I believe this rate design is competitively neutral to all technologies and connections. To that end, it is my opinion that much of the criticism of the Commission's February Order proposed contributions reform mechanism is satisfactorily addressed with this Alternative 3 rate design.

Q. Turning to testimony of witnesses on this matter, is Windstream's witness, Mr. Kreutz, correct when, he states that it is "difficult to determine" (pages 7 and 9) whether the Commission's proposed February Order's NUSF connections-based contribution mechanism is "competitively and technologically neutral"?

A. I believe Mr. Kreutz's concerns are satisfied with recent proposals made by the Commission Staff and RIC. While Windstream states its view that the Commission's proposal "appears to be reasonably headed in the right direction" on the dual goals of

competitive neutrality and technological neutrality (Windstream Testimony at 7), I note that RIC's proposed rate design and Alternative 3 of the Staff Testimony address Mr. Kreutz's principal concerns. Under Alternative 3 as well as RIC's proposed rate design presented in my direct testimony, each carrier (whether it be a wireline or a wireless voice provider) is treated the same, and thus these proposals are competitively neutral relative to the same carrier class.

Q. Do you have comments in response to the equal-surcharge-regardless-of-the-technology-used observation by CenturyLink found for example on pages 4-5 of the CenturyLink Testimony?

A. CenturyLink's contentions appear to be grounded in its construction of the concept of technological neutrality. Since the Commission is funding the two primary types of technology we have today for intrastate voice services – wireless and wireline – I am concerned that CenturyLink's contention that all services regardless of the technology used must be treated uniformly may oversimplify the analysis.

One must recognize the level of use of the connection and whether different connections relate to substitute services or relate to complementary services. Thus, using traditional rate design principles, businesses should be assessed a higher per-connection charge than residential users, contrary to what CenturyLink suggests on page 5 of Mr. Lubeck's testimony. As for residential users, RIC's rate design starts with an equivalent baseline but uses the intrastate percentage derived from the FCC's interstate wireless safe harbor. Thus, CenturyLink's contention that the Commission's rate design proposed in the February Order favors wireless over wireline (CenturyLink Testimony at 4) is addressed. Likewise, Mr. Lubeck's discussion on pages 4-5 of his testimony as to purported impacts of "family plans" is addressed explicitly in the RIC rate design as each connection –

regardless of whether it is a standalone connection or part of a carrier-established retail rate design package such as a “family plan” – is assessed a per-connection NUSF flat-rate wireless surcharge. That result – the assessment of a surcharge on each wireless connection – is appropriate since each connection benefits from the ability to originate and receive intrastate calls, and thus is assessed equally. RIC’s proposed rate design has the added benefit of minimizing administrative burdens on the wireless carrier by avoiding, for example, application of a different surcharge rate for a wireless user who is part of a family plan. I also note that Frontier generally raised a similar concern regarding proposed unequal surcharges based on the wireless versus wireline distinction (Frontier Testimony at 3), but this concern is likewise properly addressed by the RIC rate design proposal.

Q. What are your views regarding the wireless business surcharge discussion contained on page 5 of the CenturyLink Testimony?

A. RIC understands the concern outlined by CenturyLink that wireless business users may make more use of their connections than residential users. With that said, however, current FCC Form 477 reporting does not require separate reporting of wireless business connections as it does for wireline connections, and there is no valid dispute with regard to the appropriateness of using the FCC Form 477 data to determine connections since the reliance on FCC Form 477 data creates a platform for consistent reporting. Thus, CenturyLink’s concern derives from a limitation in FCC Form 477 reporting.

Q. What are your reactions to RTCN’s view that the Commission’s proposal is competitively neutral?

A. On page 8 of the RTCN Testimony, its witness states that the “definitions for a connection and as assessable service . . . do not rely on any particular technology to

deliver.” RIC agrees. In this regard, on page 8 of the RTCN Testimony, RTCN effectively mirrors RIC’s view, stating that since the definition of connection “properly isolates the type of connections providing intrastate telecommunications services,” the application of that definition ensures that “non-assessable services are not inadvertently included” in any per-connection based NUSF contribution regime. I note that this is important since the FCC has not granted state commissions the authority to assess broadband for state USF purposes and thus, as RTCN’s analysis suggests, broadband would not be considered a connection for purposes of the Commission’s proposed connections-based NUSF contribution regime.

2. Is the Commission’s connections-based NUSF proposal more stable?

Q. Does the direct testimony provide support for a conclusion that a connections-based NUSF contributions mechanism is more stable than the current revenue-based system?

A. Yes, there is substantial support in the direct testimony for such a conclusion.

Q. Do you agree with Windstream’s observations and that of RTCN regarding the stability of the NUSF should the Commission move to a connections-based contribution system?

A. Yes. As recognized by Mr. Kreutz (Windstream Testimony at 7), the existing revenue-based NUSF contribution regime is eroding. RIC agrees. (Davis’ Reply Testimony at 3)

As demonstrated in Attachment One to Ms. Kranner’s pre-filed direct testimony, and as Mr. Kreutz points out, “connections are generally increasing and don’t have volatile fluctuations that can occur when determining jurisdictional retail revenues.” (*Id.*)

I also note that RTCN views the Commission’s proposed use of a connections-based framework for NUSF contribution purposes to be more stable, and properly relies on and notes the Commission’s own conclusion in this regard. (RTCN Testimony at 4-6)

Q. Are there other parties that see the Commission’s connections-based contribution proposal as stabilizing the NUSF?

A. Yes. CenturyLink also states its view on page 1 of Mr. Lubeck’s testimony that a connections-based NUSF contribution regime is more stable.

3. Is the Commission’s NUSF contribution proposal “easy to administer”?

Q. Does RIC believe the Staff Alternative 3 proposal results in a methodology that will be easy to administer?

A. Yes, we believe the proposal is a significant improvement administratively from the proposal in the February Order.

Q. Does RIC have any reaction to Cox’s concern with the February Order’s lack of sufficient details associated with the use of FCC Form 477 data in implementing a connection-based NUSF contribution proposal?

A. Yes, contrary to Cox’s claim on page 4 of Mr. Logsdon’s testimony, RIC believes the use of FCC Form 477 data facilitates reasonable implementation of a connections-based mechanism. With the Commission’s established framework for NUSF connections-based reform – particularly Alternative 3 submitted by Mr. Robbins of the Commission Staff, coupled with the February Order and augmented by the testimonies and other filings made to date in this proceeding – RIC is confident that the record is established to address the necessary implementation details that Cox appears to seek regarding the use of FCC Form 477 data. Moreover, based on RIC’s past comments and testimony regarding FCC Form 477 data, we are confident that any Commission decision would likely have the necessary details regarding the reporting of Nebraska-specific connections, and parties would then be able to seek Commission direction on any specific questions that such party may have.

Q. Do any of the parties have concerns regarding the billing issues regarding the February Order’s proposed business-per-connection rate design?

A. Yes. RIC is sympathetic with Cox's notion that, under the February Order's Attachment A rate design for business users, billing system cost onsets may be increased. (Cox Testimony at 3) At the same time, RIC notes that any new system of NUSF contribution remittance will require some billing system changes. But those changes –in RIC's view minimized by its rate design and the reliance on FCC Form 477 data – are ultimately a cost of doing business. Moreover, Commission Staff's Alternative 3 and the RIC rate design eliminate the revenue banding originally proposed by the Commission for business customers, thereby eliminating complexities related to implementation of that rate design.

Q. Are Cox's concerns regarding billing system cost onsets and administrative difficulties addressed by RIC's proposal and Alternative 3 of the Staff Testimony?

A. Yes. RIC's proposed rate design or Alternative 3 have structural commonalities and either proposal should address these concerns, since these proposals avoid the use of business revenue bands. Likewise, based on assessment of connections reported on FCC Form 477, Cox's proposed disaggregation of "simple voice lines, PBX or Centrex trunks and the like" (Cox Testimony at 4) need not, in RIC's view, be included in the implementation of any per-connections NUSF contribution regime. If this disaggregation issue requires further study relative to implementation of a connections-based NUSF contribution regime, that study can be addressed in the future.

Q. Has any other party voiced similar concerns to those raised by Cox regarding the Commission's initial proposed business rate design?

A. To some extent, yes. Frontier suggests that its billing systems do not make any customer-by-customer evaluation. (Frontier Testimony at 3) Windstream raises general concerns that the initial business rate design uses revenues and questions what revenues should be

included and how bundles should be treated (Windstream Testimony at 5, 7-8 9-10, 11), and also references the same concept of “hybrid” systems as that raised by Cox.

(Windstream Testimony at 9) CenturyLink raises concerns regarding the lack of data for the revenue bands proposed by the Commission for business connections. (CenturyLink Testimony at 6)

Windstream and Charter also raise the issue of contribution requirements for interexchange carrier service providers. That issue is addressed by the RIC rate design that includes a portion of the per-connection wireline assessment for the connectivity of a customer to make intrastate long distance calls. In summary, all concerns regarding billing system implementation appear to be addressed by RIC’s proposed rate design and the Staff’s Alternative 3 proposed rate design.

Q. With respect to Charter, on page 6 of Mr. Gillan’s testimony he asserts that a connections-based contribution mechanism “will increase the cost to administer the NUSF.” Do you agree with this assertion?

A. No, Mr. Gillan does not provide any specific evidence regarding the costs to implement a connections-based mechanism. The only explanation that Mr. Gillan offers to support this claim is that a connections-based mechanism will “unavoidably add additional complexity,” and will result in a “Rube Goldberg-like system that is no better than the system it replaces but [is] costlier to administer.”

Contrary to these claims, RIC believes a connections-based mechanism such as that proposed by RIC or the Staff’s Alternative 3 rate design will not be costly to administer. To support that conclusion, I sought input from Great Plains’ billing vendor concerning the costs of implementing a connections-based methodology such as that proposed by RIC or Staff Alternative 3. A representative with the vendor, National Information

Solutions Cooperative (“NISC”), advised me that implementation of a per-connection charge for each working telephone number should not be costly. RIC shared other parties’ concerns about implementing the original Commission proposal utilizing revenue bands for business connections, and the NISC representative stated that a custom process would be required to implement that mechanism and such process would pose complications. But a flat-rate-per-connection methodology for each residential and business connection avoids such complications.

Q. Do you have any comment on Level 3’s concerns stated on page 3 of Ms. Hollick’s Testimony regarding businesses having “workable” numbers but not consistent use of them?

A. Level 3’s testimony states its concern that all telephone numbers held by large businesses may not be used in any given reporting period but are “workable,” and therefore increase the level of NUSF surcharge that such business would pay. (Level 3 Testimony at 3-4) Level 3’s contention appears to be misplaced since the Commission does not propose to assess non-working telephone numbers. Rather, the Commission proposes to assess connections as defined on page 20 of the February Order. Working telephone numbers allow inter-network routing to provide telecommunications, thus constituting an “assessable service.” An “assessable service” is required to meet the definition of a “connection” that is subject to the proposed connections-based NUSF surcharge. Connections will be assessed based upon a provider’s reported Form 477 connections, not based upon telephone numbers assigned to any business customer. (*See e.g.* connections data in Table 1, February Order at 22)

Q-II.2 Does RIC have responses to the reactions of interested parties provided in their pre-filed direct testimonies to the Commission’s statement on page 18 of the February Order that the contribution reform mechanism proposed by

the Commission is adaptable to future contribution decisions that the FCC may make?

Q. Has any party raised valid concerns about the adaptability of the Commission's connections-based mechanism to future contribution decisions by the FCC?

A. No. Moreover, no party submitting pre-filed testimony has suggested an expectation of any FCC action on contributions reform in the foreseeable future.

Q. What reaction do you have on the discussion by Windstream on pages 11 of Mr. Kreutz's testimony regarding this issue?

A. RIC generally agrees with Windstream that the Commission needs to move forward with contribution reform. While it may be "preferable" for the federal USF and NUSF contribution mechanisms to be "consistent," as Windstream suggests on page 11 of Mr. Kreutz's testimony, I do not believe consistency is a test under Section 254(f) of the Communications Act of 1934, as amended (the "Act").

It goes without saying that if the Commission adopts a connections-based NUSF contribution system, that system will differ from the federal regime that continues to rely on interstate and international revenues. Yet, if the Commission action complies with the plain wording of Section 254(f) and does not burden or rely on the federal USF mechanism, there is no reason that a connections-based NUSF contribution regime cannot be established and properly implemented by the Commission.

Q. Does RIC agree with RTCN that any FCC-approved federal USF contribution reform action would not impact the Commission's NUSF connections-based contribution regime?

A. Generally, yes. RTCN rightfully points out on pages 6-7 of Ms. Brigham's testimony that the federal USF is based on interstate services and that such fees are separate from intrastate offerings. RTCN also notes correctly that the plain language included in Section 254(f) of the Act does not require state USFs to use the same contribution

methodology as that used by the FCC, provided the directives of Section 254(f) are followed. This analysis is consistent with my initial testimony and I see nothing directly contradictory in what the Commission is proposing regarding the use of a connections-based NUSF contribution regime with the plain words found in Section 254(f) of the Act.

Q-II.3 Does RIC have responses to the reactions of interested parties provided in their pre-filed direct testimonies to the Commission questioning on pages 21-22 of the February Order whether the rate design proposed for the connections-based mechanism in Table 2 sets forth a surcharge that is “equitable and nondiscriminatory”?

Q. What are your views on issues raised by parties regarding the Commission’s proposed mechanism being “equitable and nondiscriminatory”?

A. Some parties have raised concerns regarding this question. (Windstream Testimony at 8; RTCN Testimony at 5-6 (discussion of “competitive neutrality”); Frontier Testimony at 5 (discussion of an uncollectible factor)) RIC notes that its rate design and that proposed in Staff Alternative 3 treat each carrier and the customers it serves the same based on the intrastate assessable services to which these connections provide access. While implementation issues may require attention to ensure proper levels of NUSF remittances, those details can be addressed if necessary as the Commission gains additional experience with the new contribution mechanism.

Q-II.4 Does RIC have responses to the reactions of interested parties provided in their pre-filed direct testimonies to the Commission’s question on page 23 of the February Order: “Should the Commission take other federal universal service programs into account, such as potential funding through the FCC’s Remote Areas Fund?”

Q. Do you have any reaction to Cox’s concerns regarding the treatment of federal Universal Service Fund disbursements in sizing the NUSF?

A. Cox raises this issue on page 5 of its testimony. However, RIC has already addressed this issue by its proposal to “net” (*i.e.*, deduct) any federal USF dollars from the NUSF sizing

efforts to avoid any concerns of double recovery or double counting of universal service fund dollars that an eligible carrier may receive. So too, since the RIC proposal is dynamic, based on the federal USF disbursements received, if those amounts change (Cox Testimony at 5), such changes would be accounted for in the annual sizing of the NUSF in the affected year. In addition, any concerns regarding the size of the NUSF have been addressed based on the use of the State Broadband Cost Model (“SBCM”) constructed by CostQuest Associates, Inc.

Q-II.5 Does RIC have responses to the reactions of interested parties provided in their pre-filed direct testimonies to the proposed NUSF program budgets set forth in Table 4 on page 26 of the February Order?

Q. Nearly every interested party that filed pre-filed direct testimony had some comments in response to this question. Do you have an overall reaction to the parties’ comments on the NUSF program budgets set out in Table 4?

A. Yes, I do. I recognize that the Commission included Table 4 in the February Order and that Table not only sets forth the 2016 NUSF Program budgets but also sets forth proposed 2018 NUSF Program budgets. However, as I have discussed above, this docket is *not* about the establishment of the 2018 NUSF Program budgets or establishment of new NUSF Programs (*i.e.*, the Low Income Broadband Program). Rather, as the caption of the docket clearly states, the Commission opened this docket, on its own motion, “*to consider revisions to the universal service fund contribution methodology.*” (emphasis added)

RIC also understands that the Commission offered a “limited budget” for comment by interested parties (February Order at p. 25) so as to obtain inputs on establishment of a rate design for a connections-based contributions mechanism “to achieve the appropriate balance between meeting the desired goals of each program with the coterminous impact

of the surcharge level on consumers.” (*Id.*) This does not open up the issue as to whether the Commission’s Fixed Broadband Proposal is supported by credible evidence. (CTIA Testimony at pp. 16-18) Nor does this introduction of the budget concept require that the Commission should enter an order in this docket approving the High Cost Program budget. (Cox Testimony at p. 6)

As I stated above, historically, the Commission has received evidence and has established budgets for individual NUSF programs in separate dockets. Specifically, the Commission establishes the next year’s NUSF surcharge level in NUSF-4. RIC reasonably assumes that prior to finalizing any budget for NUSF programs for 2018 and for future years, the Commission will notify interested parties, request comments and hold a public hearing.

Therefore, RIC will not offer support or criticism at this time of the positions advanced by various parties relating to the proposed 2018 NUSF Program budgets set forth in Table 4 of the February Order.

III. ADDITIONAL SUBJECTS FOR DISCUSSION

Q. What is your view regarding CenturyLink’s position stated on page 3 of Mr. Lubeck’s testimony that any action in this proceeding must “provide support for the ongoing maintenance and operating costs of the network so that residents in high cost areas continue to receive affordable voice service”?

A. I generally agree with this observation, subject to the fact that I see nothing in the Commission’s proposal that alters the Commission’s commitment to provide proper funding for networks to serve higher cost-to-serve rural areas in the State of Nebraska. In this regard, the Commission has recognized the need to provide NUSF support not only for the deployment and upgrading of networks serving higher cost-to-serve rural areas, but also for maintaining and operating those networks. Specific and predictable support

for ongoing maintenance and operation of networks in rural areas will be necessary permanently, even after a network is built and any loans required to finance construction are paid back. In fact, the Commission has long recognized the need for NUSF to assist with maintaining and operating rural networks. Most recently, the March 28, 2017 Findings and Conclusions in Application No. NUSF 108 expressly establish that 20% of NUSF high cost program support provided to price cap carriers may be used for ongoing maintenance costs.

Q. Mr. Gillan expresses concern that the Commission’s proposed connections-based assessment mechanism “might not collect contributions from wireless resellers.” (Charter Testimony at 12) What is RIC’s position in response to this stated concern?

A. RIC’s rate design, which was attached to my pre-filed direct testimony as Attachment One, is premised upon all mobile telephone connections reported on FCC Form 477 being assessed an NUSF surcharge, regardless of whether that connection is provided by a facilities-based wireless provider or a wireless service reseller. Both entities would be subject to the same NUSF surcharge and thus would be treated in an equitable and nondiscriminatory manner if the customer is provided with access to an assessable service through a connection. This same principle of equal treatment would also apply to prepaid wireless connections as well as postpaid as I discuss below. RIC supports application of the connections-based NUSF surcharge to all mobile telephone connections. While there are users of services provided by “wireless resellers” and by prepaid wireless providers, I am not aware of any such service that does not rely on a connection to a facilities-based wireless carrier’s network. As such, it seems logical that the method by which a facilities-based wireless carrier assesses such prepaid or resold connections is a business issue for a facilities-based wireless carrier to decide in the first

instance. If such an arrangement results in reduced connections and thus undermines the Commission's contribution regime, Commission investigation would then be required.

Q. In the CTIA Testimony at pages 33-36, Mr. Price outlines a proposal for the implementation of a "Point-of-Sale" methodology for recovery of NUSF contributions from pre-paid wireless consumers. Does RIC have a position in response to this testimony?

A. As I stated above, RIC supports the principle of application of the per connection surcharge to all mobile telephone connections. It is my understanding that the aggregate number of mobile telephone connections reported on Form 477 for Nebraska includes both postpaid and prepaid connections. Thus, as can be observed from the RIC rate design, RIC supports equal treatment of all mobile telephone connections and contributions by all consumers of wireless services to the NUSF.

At the same time, it is reasonable to assume that there may be administrative matters requiring resolution to implement an equitable and nondiscriminatory method of collecting NUSF surcharges from all mobile telephone consumers. The existence of such administrative issues, however, is not a valid basis for deferring or delaying the implementation of a connections-based contribution system.

Q. Mr. Price also submits at page 11 that the Commission should seek legislation to fund Nebraska broadband build-out from the Nebraska general fund. What is RIC's position regarding this proposal?

A. RIC opposes utilizing Nebraska taxpayers' funds in this way. CTIA's proposal to adopt legislation approving the use Nebraska general fund monies to build out broadband was initially presented to the Commission in CTIA's June 6, 2016 Comments in Response to the Commission's April 5, 2016 Order Seeking Further Comments at pages 10-11. RIC responded to CTIA's proposal in its Reply Comments filed with the Commission on July 15, 2016, at pages 11-12. Mr. Price's repetition of this CTIA recommendation does not

make it any more persuasive, and it should be rejected for the same reasons set forth in the RIC Reply Comments. In the event CTIA desires to pursue its proposition to use taxes paid into Nebraska's general fund by all taxpayers to build out broadband, it is at liberty to advance such a proposal to the Nebraska Legislature, and parties can then react to that legislative proposal.

Q. Mr. Price also suggests that the Commission should embark on a strategic planning process “to properly assess Nebraska’s broadband needs and establish appropriate goals.” (CTIA Testimony at pp. 9-11) What is RIC’s response to this proposal?

A. Mr. Price’s suggestion again repeats CTIA’s proposition set forth in its Comments filed June 6, 2016 in this docket. There is no need for the Commission to expend time and energy to develop a new strategic plan for the NUSF. The Commission has already done so and has presented its strategic plan that sets forth its “overall vision of where universal service should evolve” in its Order Seeking Further Comments entered in the docket (pages 5-6) on April 5, 2016. CTIA has provided no valid reason for the Commission to initiate a separate docket to re-evaluate its universal service strategic plan. Mr. Price’s contentions in this regard should be rejected.

Q. Does this conclude your pre-filed Reply Testimony?

A. Yes.

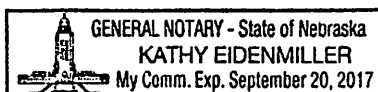
VERIFICATION

STATE OF NEBRASKA)
) ss.
LANCASTER COUNTY)

Ken Pfister, being first duly sworn on oath, states he has read the foregoing Testimony, is familiar with the contents thereof, and that such contents are true and correct to the best of his information and belief.

Ken Pfister
Ken Pfister

Subscribed and sworn to before me, a Notary Public in and for such State and County, this 2nd day of April, 2017.



Kathy Eidenmiller
Notary Public

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 21st day of April, 2017, an electronic copy of the foregoing Pre-Filed Reply Testimony was delivered via electronic mail to.

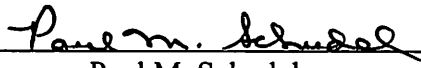
Nebraska Public Service Commission

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All Other Commenting Parties



Paul M. Schudel