BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service Commission, on its own Motion, to Consider Revisions to the Contribution Methodology and Determine a Rate Design for Services Currently Subject to a Revenues-based Surcharge.	))))))	Application No. NUSF-119/ PI-233

COMMENTS OF THE NEBRASKA RURAL INDEPENDENT COMPANIES

Arlington Telephone Company, Blair Telephone Company, Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., The Curtis Telephone Company, Eastern Nebraska Telephone Company, Great Plains Communications, LLC., Hamilton Telephone Company, Hartington Telecommunications Co., Inc., Hershey Cooperative Telephone Company, Inc., K & M Telephone Company, Inc., The Nebraska Central Telephone Company, Northeast Nebraska Telephone Company, Rock County Telephone Company and Three River Telco (the "Rural Independent Companies")

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Date: August 31, 2020.

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COMMENTS OF THE NEBRASKA RURAL INDEPENDENT COMPANIES

I. INTRODUCTION

The Nebraska Rural Independent Companies ("RIC")[1] submit these Comments in response to the matters raised in the Order Opening Docket and Seeking Comment entered on June 30, 2020 in this docket (the "*Order*") by the Nebraska Public Service Commission (the "Commission").[2] In the following discussion, the Commission's "Issues for Comment" are set forth in italicized text and are followed by RIC's comments in response thereto in regular text.[3]

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

[2] On July 21, 2020, the comment and reply periods were extended. *See Motion for Extended Time Granted*, NUSF-119/PI-233, entered July 21, 2020.

[3] The instant *Order* is one of a trilogy of orders all issued by the Commission on June 30, 2020 that address aspects of the distribution and remittance process associated with the NUSF. *See Order; In the Matter of the Nebraska Public Service Commission, on its own Motion, to Administer the Universal Service Fund High-Cost Program. Application No. NUSF-99, Progression Order No. 2*, *Order Seeking Further Comment and Setting Hearing*, entered June 30, 2020 (the *NUSF-99 Order*"); *In the Matter of the Nebraska Public Service Commission, on its Own Motion, to make adjustments to its high-cost distribution mechanism and make revisions to its reporting requirements*, *Order Setting Hearing*, Application No. NUSF-108, Progression Order No. 5, entered June 30, 2020 (the "*NUSF-108 P.O. 5 Order*") (collectively the "*June 30 Orders*").

RIC appreciates the opportunity to provide these Comments, and looks forward to continuing participation in this docket and other pending dockets regarding the Nebraska Universal Service Fund ("NUSF").[4]

II. CONSISTENT WITH ITS RECENT NUSF-99 COMMENTS, RIC URGES THE COMMISSION TO CONSIDER AND RESOLVE THE ISSUES RAISED IN THE *JUNE 30 ORDERS* IN AN INTERRELATED MANNER IN ORDER TO MAXIMIZE BROADBAND DEPLOYMENT TO ALL NEBRASKA CONSUMERS.

As demonstrated in RIC's July 30, 2020 comments in response to the *NUSF-99 Order* (which comments are incorporated herein by reference), the *June 30 Orders* address either the funding/remittances for the NUSF or the process for distribution of NUSF. Unquestionably, the public interest is served by the Commission considering the issues raised in the *June 30 Orders* as "interrelated" and thus properly addressed in a comprehensive manner that develops a consistent and transparent NUSF framework with the objective of maximizing broadband deployment for all Nebraska consumers. These elements, in turn, have and will continue to guide RIC's efforts in responding to each of the *June 30 Orders*.

By way of example, the interrelated nature of the *June 30 Orders* is demonstrated by the fact that, while the *NUSF-99 Order* seeks input on the framework for distribution of NUSF support (the "expense side" of the ledger) to one classification of NETCs, namely the price cap ("PC") carriers,[5] the current *Order* (and before it the Commission's action in its NUSF-111 and

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[4] Unless otherwise indicated, RIC uses the terms "NUSF" in these Comments to refer to the NUSF High Cost Program and support provided thereunder to Nebraska Eligible Telecommunications Carriers ("NETCs") since NUSF is only available to such NETCs. *See, e.g.*, 47 U.S.C. § 214(e); *Neb. Rev. Stat.* § 86-324(1).

[5] Central to the Comments filed on July 30, 2020 by RIC in the NUSF-99 docket is the proposal that the allocation of the total NUSF High Cost Program budget on the basis of 51.77% to PC carriers and 48.22% to RoR carriers (which has been the case since 2015) should be revised to 25.8% to PC carriers and 74.2% to RoR carriers prospectively based upon the percent of eligible

NUSF-100 proceedings) focuses on surcharge collections that fund the NUSF (the "income side" of the ledger). The *NUSF-108 PO 5 Order*, in turn, addresses modifications to the rate-of-return ("RoR") carriers' distribution mechanism.

These two NUSF elements – distributions (and how and when such disbursements occur) and surcharge collections (the remittances necessary to fund the NUSF distributions) – cannot rationally be viewed in "silos" but rather should be considered as aspects of one integrated program.[6] RIC respectfully submits that such integrated decision-making by the Commission will enhance the effort to develop a transparent and consistent NUSF distribution and remittance process, and advance the overarching purpose of the NUSF to provide advanced telecommunications and broadband services to all Nebraska consumers.

RIC is optimistic that its recommended positions on the issues raised in each of the *June 30 Orders* will, as a cumulative and coordinated decision-making process by the Commission, be viewed as being in the public interest. Comprehensive consideration of the *June 30 Orders* as suggested herein and in RIC's *NUSF-99 Order* comments lay the proper foundation for

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investment after grants, as illustrated in detail in Exhibit 1 to the Comments. *See* Comments of the Nebraska Rural Independent Companies, Application No. NUSF-99, Progression Order No. 2 at 2-5 and Exhibit 1 (July 30, 2020).

[6] The Commission has already recognized the integrated nature of the distributions and remittances aspects of the NUSF.

> Specific reporting and certification procedures will need to be developed for NUSF remittances and distributions. The Commission opened an investigation in Docket NUSF-108 to develop specific accountability and reporting requirements relative to NUSF support distributions. Assuming the contribution mechanism is changed, the Commission will also need to determine the specific reporting procedures for remittances into the fund.

In the Matter of the Nebraska Public Service Commission, on its own motion, to consider revisions to the universal service fund contribution methodology, Order and Order Seeking Further Comments and Setting Hearing, Application No. NUSF-100 PI-193, entered February 22, 2017 (the "*NUSF Strategic Plan*") at 19.

achieving the rational integration of NUSF surcharge collections and NUSF support distributions, thereby advancing the overarching public policies adopted by the Commission in its *NUSF Strategic Plan*,[7] a keystone of which is deployment of scalable broadband networks providing broadband speeds of 25/3 Mbps available to all Nebraska consumers in an equitable and expeditious manner consistent with the requirements of the Legislature in Sections 86-323(2) and (3) and 86-1101(2) of the Nebraska statutes.

III. RESPONSES TO ISSUES FOR COMMENT

Issues for Comment

A. Whether to Adopt a Connections-Based Mechanism for Business and Government Lines Currently Subject to the Revenues-Based Mechanism.

> *i. We first seek comment on whether the Commission should adopt and implement a connections-based contribution framework for business and government service.*
>
> *If answering in the affirmative, please explain the rationale. Interested parties are also invited to file proposed rate design models for the Commission's consideration.*

For the reasons stated herein, the Commission should continue its NUSF contribution reform efforts and consider adoption of a connections-based NUSF assessment mechanism for certain business services, pending resolution of its PC carrier distribution reforms and changing its high cost budget allocation mechanism for RoR and PC carriers. Specifically, RIC respectfully submits that this connections-based mechanism should be applied to business service connections/subscriptions provided by mobile carriers, wireline carriers and Voice over Internet Protocol ("VoIP") providers. At the same time, however, RIC respectfully suggests that the Commission should retain the existing revenues-based assessment mechanism for "Toll" revenues (consisting of switched toll, private line toll and other toll) and "Other" revenues

[7] *See id*. at 18-19.

(consisting of directory, private line and paging services), all as reported on the NUSF Remittance Worksheet (the "Ancillary Business Services").[8] Continuation of the current revenues-based reporting framework regarding the Ancillary Business Services reflects the practical reality that these classes of service do not lend themselves to a connections-based surcharge. Further, due to the statutory framework for assessment of pre-paid wireless services provided in Section 86-903 of the Nebraska statutes, this class of services should also remain on a revenues-based NUSF assessment mechanism.

Implementing a connections-based surcharge on mobile, wireline and VoIP business service connections as recommended herein advances the gradual implementation of new contribution mechanisms and builds upon the success realized through the surcharge reforms implemented in the NUSF-100 and NUSF-111 dockets. The current connections-based hybrid framework, in turn, has generally resulted in stabilization of the NUSF contribution process and increased levels of NUSF remittances, results that RIC believes would be furthered by applying a connections-based assessment mechanism to mobile, wireline and VoIP business services.

At the same time, the proposed expanded use of connections-based NUSF contributions represents a more equitable assessment approach that is less likely to be subject to gaming. Likewise, such expanded use may allow the Commission to adjust the relative NUSF contribution percentages between residential and business customers.

As an element of the connections-based business services assessment framework, RIC respectfully requests the Commission to include a requirement that enhances remittance accountability and avoids gamesmanship in the reporting of business versus residential connections. As the Commission is aware, gaming the remittance process undermines the

[8] These terms and the revenues included in each such classification are set out in the NUSF Remittance Work Sheet approved and implemented by the Commission commencing with remittance reports filed in April 2019.

Commission's ability to estimate the level of NUSF remittances. This circumstance, in turn, creates uncertainty in the establishment of predictable and sufficient NUSF budgets used for the deployment of scalable broadband networks capable of minimum threshold speeds of 25/3 Mbps.

Accordingly, RIC requests that the NUSF remittance procedures include a requirement that any reporting entity must explain any material change in the reported number of business connections with sufficient detail to allow the Commission Staff to confirm the validity of such change. Such reporting should be certified by a carrier representative.

Based on the data that RIC has requested and received from the Commission Staff, RIC has been able to create for review, discussion and fine-tuning, certain suggestions with regard to the rate design for the implementation of a connections-based surcharge on mobile, wireline and VoIP business services. These suggestions are presented in Attachment A to these Comments which is incorporated herein by reference. RIC recognizes that these rate design suggestions may require modifications based upon additional NUSF remittance data in the possession of the Commission.[9] Likewise, the Commission may determine that additional reporting detail is needed to formulate its chosen rate design.

Elements of the analytical framework that RIC proposes for a connections-based NUSF assessment mechanism to be applied to business services are as follows, based upon selected information drawn from Attachment A, which reflects changes in contributions since the Commission implemented connections-based reforms for residential customers in April 2019:

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[9] One area of fine tuning may be the reduction of remittance amounts based on aggregated data relating to "adjustments" for bad debt.

NUSF-119 Rate Design Data

			Source	2020 Budget	NPSC Projected Budget Range[10] Low	Mid	High
A		NUSF Budget					
	1	High Cost	Input	$40,000,000	$46,000,000	$50,000,000	$54,000,000
	2	Other NUSF	Input	$ 7,250,000	$ 7,250,000	$ 7,250,000	$ 7,250,000
	3	Admin	Input	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
	4	Total 2020 NUSF Budget	LnA1+LnA2+LnA3	$48,250,000	$54,250,000	$58,250,000	$62,250,000
B		Residential					
	1	Surcharge	Input	$1.75	$1.75	$1.75	$1.75
	2	6/2019 to 5/2020 Avg Connections	Input	1,455,259	1,455,259	1,455,259	1,455,259
	3	Annual Residential Remittance	LnB1*LnB2*12	$30,560,439	$30,560,439	$30,560,439	$30,560,439
	4	Adjustments	Input	$ 11,308	$ 11,308	$ 11,308	$ 11,308
	5	Actual Annual Remittance	LnB3- LnB4	$30,549,131	$30,549,131	$30,549,131	$30,549,131
	6	Prepaid Wireless	Input	$ 4,260,858	$ 4,260,858	$ 4,260,858	$ 4,260,858
	7	Total Residential Remittance	LnB5+LnB6	$34,809,989	$34,809,989	$34,809,989	$34,809,989
C	1	Business Ancillary	Input	$ 2,771,432	$ 2,771,432	$ 2,771,432	$ 2,771,432
D	1	Bus. Services (Mobile, wireline, VOIP, etc.)	Input	$12,526,882	$12,526,882	$12,526,882	$12,526,882
	2	Avg Business Connections	Input	760,626	760,626	760,626	760,626
E	1	Req'd from Bus. Services	A4-B7-C1		$16,668,579	$20,668,579	$24,668,579
	2	Monthly Surcharge from Mobile, etc.	E1/D2/12		$1.83	$2.26	$2.70

ii. *If interested parties are of the opinion that the Commission should keep business and government service on the existing revenues-based contribution mechanism we invite those commenters to explain the justification for maintaining the current revenues-based mechanism for those services.*

[10] In Application No. NUSF-111, Order at 26 (Aug. 7, 2018) the Commission suggested a budgetary range of $46 million and $54 million for the NUSF High Cost Program.

See Attachment A.

iii. *If the Commission were to adopt a connections-based contribution framework for business and government services,*

How the term "connection" should be defined?

See below.

Should the Commission utilize the same definition it adopted in NUSF-111 relative to residential connections? If not, why not?

The definition of connection adopted by the Commission in its February 22, 2017 decision in Application No. NUSF-100 should be utilized regarding business services connections. That definition states:

> Connection: A wired line or wireless channel used to provide end users with access to any assessable service.[11]

Moreover, the Commission also properly made clear that it would

> rely on the general and common understanding of the phrase wireless channel, meaning a wireless pathway or frequency used to transmit information. If a wireless connection capable of transmitting voice service is reported to the FCC for Form 477 purposes, likewise, the Commission proposes that it would fall under the definition of "connection". Whether or not it would be an assessable connection would be subject to the Commission's determination of an "assessable service."[12]

Thus, adoption of this definition and the additional explanation provided by the Commission not only brings consistency as to how to define and otherwise identify a connection but also should lend itself to a more equitable contribution framework and rate design.

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[11] *In The Matter of the Nebraska Public Service Commission, on its own motion, to consider revisions to the universal service fund contribution methodology, Order and Order Seeking Further Comments and Setting Hearing,* Application No. NUSF-100/PI-193, entered February 22, 2017 at 20.

[12] *Id.*

B. *Whether the Relative Contribution Percentages between Residential Versus Business Services Should be Considered and Adjusted.*

i. *Currently, residential-based contributions make up roughly 70 percent of the total NUSF remittances and business remittances make up roughly 30 percent of the total NUSF remittances. Historically, remittances were estimated to be approximately 60 percent residential and 40 percent business.*

Should the contribution mechanism be structured so that the remittance percentage is more equitably divided between residential and business services? Why or why not?

RIC believes that a 70% contribution level for residential services is excessive and agrees that it may be preferred by the Commission to design a connections-based/hybrid rate design that generates a more equitable contribution allocation between residential and business end users. RIC is confident that the Commission can achieve this balance. In this regard, RIC notes that the Commission may find it useful to use the data presented in Attachment A in order to calculate a rate design aimed at achieving modifications to the existing contribution split between residential and business end users' contributions.

ii. *Another key question is how the Commission should approach the relative distribution of the contribution burden between multi-line business and enterprise users versus single line business and residential users, as well as among different types of enterprise users and consumers.*

Should there be an increased connections-based assessment relative to business lines which takes into account capacity or usage?

In RIC's view, the Commission's statement and question represent the very type of fine-tuning and data gathering noted above to ensure that all connections receive equivalent treatment for contribution purposes. Also, in RIC's view, aggregated, non-confidential data capturing the current contribution levels from various sized businesses would be useful to achieve the fine-tuning reflected in these questions. Consequently, RIC would support a data request being issued by the Commission to obtain this data. Alternatively, this type of detailed data may be appropriately obtained through expansion of the data requested by the NUSF Remittance Work Sheet.

> *Is a 60/40 split a fair distribution of the contribution burden in light of actual usage value of the network?*

RIC believes that Commission consideration of a 60/40 split would be reasonable. Please see above discussion.

> *Are there modifications that could be made to a connections-based methodology to make the level of assessment more fair to residential or low-volume users compared to multi-line business or enterprise customers?*

Please see above discussion and the suggestions regarding rate design set forth in Attachment A hereto that the Commission could use to build its own rate design proposal.

> *How should the Commission measure this?*

Please see discussion above regarding the enhanced accountability reporting by remitting entities.

> *Is there publicly available data the Commission should use? If so, how often should this data be re-evaluated?*

Please see above discussion.

iii. Should there be a separate per connection surcharge amount for residential versus business service?

Please see above discussion. RIC anticipates that separate residential and business connection charges will also be one of the relevant considerations of the Commission when developing its connections-based rate design arising from the *Order*. In addressing this issue, RIC would be concerned if such rate design leads to either a significant increase in residential connection surcharge levels or a reduction of NUSF budget for deployment of broadband capable networks in the rural areas served by the RoR carriers.

Should they be set at the same amount?

Please see above discussion.

iv. *In NUSF-100, for example, CenturyLink stated "scaling the assessment on each connection or number in a way that equitably reflects the end user's burden on the network can be more complex than under a revenues-based approach." (Comments of CenturyLink (February 13, 2015) at 6.) To overcome this challenge CenturyLink suggested the Commission may have to define classes of connections based upon factors. (See id.) The Commission proposed devising a mechanism to allocate contribution obligations for business and residential related to the burden on the network or the value of the connection.*

Should that approach be considered relative to multi-line business connections? Why or why not?

As noted above, RIC does not know whether aggregated, non-confidential data is available to adequately address these questions. RIC is unaware of any industry-wide data source that could establish the number of business services end users that have multiple connections, or the relative numbers of such multiple connections for each such end user. RIC respectfully submits that if this data is gathered and then de-identified and released by the Commission for public review, interested parties should be able to provide more helpful comments to assist the Commission's efforts to fashion a business connection NUSF remittance surcharge framework. Thus, RIC respectfully requests that such data be provided by the Commission if it exists or that either a data request seeking such information be issued by the Commission or the NUSF Remittance Work Sheet be modified to collect such data for use in future Commission rate design fine-tuning efforts.

If so, what data is available to support such an approach?

Please see above discussion.

v. *Should the Commission as an alternative to revising the contribution mechanism for business and government services consider raising the surcharge percentage to increase the amount of contributions compared* *to residential contributions and to meet the fund demand? Please explain.*

No. Please see above discussion.

C. How to Account for the Wide Variations in Business and Government Service Offerings.

i. Based on the data collected thus far, we know there is a wide variation among business service offerings. Should the Commission structure connections-based remittance tiers which would vary based upon the type of offering?

As noted above, RIC is not aware of a source of sufficient publicly-available data necessary for any party to respond to this question comprehensively, and thus provide meaningful comment on the impact that any such tiering may have on the Commission-proffered rate design. Thus, the need for Commission action to provide such data under the options noted above.

If so, how should the Commission account for the varying business sizes and diverse product offerings?

ii. Should the Commission adopt pure connections approach where the type of offering is not relevant?

No. Please refer to the discussion above.

iii. Based on how the services and packages offered by carriers are structured for business customers, some businesses may contribute a significant amount of revenue for a small number of connections. A shift to a connections-based surcharge for business service may result in some business users paying less in NUSF remittances than they do currently while others may be remitting a larger amount. It is apparent from the data collected that there are wide variances of business service products and offerings. Take, for example, a scenario where a carrier remits $40,000 monthly for approximately 200 connections. Alternatively, certain businesses or government entities could have several thousand connections but would be remitting more than what they otherwise would using a flat "per unit" charge. Moving to a pure connections-based contribution mechanism may benefit some business users and disadvantage others.

Should the Commission take this into account?

As noted above, RIC is not aware of a source of sufficient data that is publicly available which would be necessary to respond to this question and the impact business sizes may have on the Commission-proffered rate design. Thus, the need for Commission action to provide such data.

Should the Commission consider the value of the service or the capacity of the connection?

At this time, RIC believes that Commission consideration of a 60/40% split between residential and business remittances as noted in the *Order* is sufficient to address this issue.

How should the Commission account for the differences in the way that providers package and provide services to business customers?

RIC is concerned that this question may lead to unnecessary complexity in the Commission's business connections rate design. Likewise, RIC is concerned that care be taken to properly address this issue and avoid opportunities to game the NUSF contribution framework. Specifically, RIC respectfully submits that any rate design established by the Commission should demonstrate that carrier packaging of services to intentionally reduce NUSF contribution levels is unacceptable. Please also see the above discussion concerning additional reporting by entities regarding business connections.

iv. Should the Commission consider a tiered approach based on the type of service where higher capacity would be assessed at a higher level?

As noted above, RIC is not aware of a source of sufficient data that is publicly available which would be necessary to respond to this question and the impact that any such surcharge tiering may have on the Commission-proffered rate design. Thus, the need for Commission action to provide such data.

v. Should residential and single-line businesses be assessed at one flat rate?

Please see above discussion regarding Commission considerations in establishing its proffered rate design.

Should multi-line business customers be assessed at a higher rate?

Please see above discussion regarding Commission considerations in establishing its proffered rate design.

D. Whether to Make any Exceptions to the Contribution Requirement for Customers Tied to Long-Term Contracts or for Services Supported by Federal E-Rate Programs.

i. In addition, the Commission seeks comment on how it should address long-term contracts for services which may be more common for business and government services. For example, services provided through the E-Rate program for schools and libraries are often subject to a four-year agreement term. A change in the contribution mechanism could impact the surcharge obligations under those agreements and have a significant impact on those customers. How should the Commission address these situations?

As noted above, RIC is not aware of a source of sufficient data that is publicly available which would be necessary to respond to this question and the impact that the treatment of any long-term contracts may have on the Commission-proffered rate design. Thus, the need for Commission action to provide such data.

E. Whether to Adopt a Cap on the Number of Connections Carriers Are Required to Contribute for on a Per-Entity Basis.

i. In our NUSF-111 proceeding, there was some discussion about implementing a cap on the number of connections counted for contribution purposes. In the telecommunications relay service (TRS) program, the surcharge is capped at 100 access lines. Should the Commission consider a cap for NUSF contribution purposes?

As noted above, RIC is not aware of a source of sufficient data that is publicly available necessary to respond to this question and the impact such a cap may have on the Commission-proffered rate design. Thus, the need for Commission action to provide such data.

If so, at what level?

Please see above discussion.

If not, please explain.

RIC believes that the rate design suggestions discussed above and in Attachment A provide the basis for creation of an equitable arrangement for NUSF surcharge contributions by residential and business telecommunications consumers.

Should the Commission consider a cap on the number of business connections for each entity?

No.

F. Whether to Modify the Contribution Mechanism as it Relates to Private Line and Toll Services.

i. Currently, private line and toll service revenues make up approximately $3 million in remittances annually. Should a per line surcharge replace all revenues-based remittances including activation, toll, private line, and paging?

Please see Attachment A.

Are there some services that should continue to be subject to a revenue-based surcharge? If so which services?

Yes. Please see Attachment A.

ii. If some services are left on a revenues-based surcharge, would we run the risk of "double assessing" in some cases?

RIC does not perceive this to be a risk.

iii. If the Commission were to move to a pure connections-based mechanism for all services does this mean the fund would forego remittances for toll revenues completely?

No. Please refer to the above discussion that suggests continuation of a revenues-based assessment mechanism on Ancillary Business Services. By leaving toll remittances on a revenues-based approach, RIC believes that the statutory requirement of *Neb. Rev. Stat.* § 86-323(4) is met that "[a]ll providers of telecommunications should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service."

iv. Would this be consistent with the requirements in the NUSF Act? Please explain.

Please see above discussion.

G. Whether to Move Prepaid Wireless Services to a Connections-Based Surcharge.

i. Currently, prepaid wireless service is assessed on a revenues basis and remittances are provided to the Nebraska Department of Revenue. The statute states the remittances should be based on the percentage obtained by multiplying (i) the Nebraska Telecommunications Universal Service Fund surcharge percentage rate set by the Public Service Commission by (ii) one minus the Federal Communications Commission safe harbor percentage for determining the interstate portion of a fixed monthly wireless charge. Does this statutory language mean the Commission must leave prepaid wireless service on a revenues-based surcharge?

Yes.

ii. If not, should the Commission revise the contribution mechanism for pre-paid wireless service?

RIC submits that prepaid wireless services should continue to be assessed on the current basis as provided by *Neb. Rev. Stat.* § 86-903.

IV. CONCLUSION

As stated above, the Rural Independent Companies appreciate the opportunity to provide these Comments in response to the inquiries presented by the Commission in the *Order* and look forward to continuing participation in this docket.

Date: August 31, 2020

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 31st day of August 2020, an electronic copy and five paper copies of the foregoing pleading were delivered to:

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Paul M. Schudel

Paul M. Schudel

ATTACHMENT A

BUSINESS SERVICES CONNECTIONS-BASED RATE DESIGN DATA AND ANALYSIS

I. Current Total Annual NUSF Budget for All Programs plus Administration

- Current NUSF program budgets (other than the High Cost Program) are, as confirmed by NUSF Director, Cullen Robbins: Tele-Health $600,000; Lifeline-NTAP $900,000; Mobile Tower Fund $5.5 million; and E-Rate supplement $250,000. Annual administration costs are estimated at $1 million. This total is $8.25 million.
- Current authorized High Cost Program budget for 2020 is $40 million.[13]
- Current total annual budget for all NUSF Programs plus administration costs is estimated to be $48.25 million.

II. Remittances from Residential Services, June 2019 – May 2020

- Based upon data reported to the NUSF Department of the Commission (the "Department") by carriers through use of the Nebraska Universal Service Fund Remittance Worksheet (the "Worksheet"), aggregate residential connections for mobile, wireline and VoIP services (excluding prepaid wireless) calculated as a monthly average for the period June 2019 through May 2020 total 1,455,259.
- Based upon the residential surcharge rate of $1.75/connection/month[14] x 1,455,259 residential connections x 12 months = $30,560,438 of annual remittances from residential connections. After adjustments, according to data compiled by the Department, this amount is $30,549,131.
- According to data received from the Department, annual remittances from prepaid wireless for June 2019 through May 2020 were $4,260,858.[15]
- Thus, total remittances from residential services for the period of June 2019 through May 2020 were $34,809,989.

III. Remittances from Business Services, June 2019 – May 2020

- Based upon data reported to the Department by carriers through use of the Worksheet, total remittances for business mobile activation and usage charges, business local exchange service, private line service, radio paging service, directory service, switched toll service, toll private line service and other toll private service for June 2019 through May 2020 totaled $12,526,882.[16]

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[13] Application No. NUSF-108, Order Authorizing Payments (Jan. 28, 2020).

[14] Application No. NUSF-4, Order Setting Surcharge (June 2, 2020).

[15] Assessment procedures for prepaid wireless service is provided by *Neb. Rev. Stat.* § 86-903.

[16] After adjustments for bad debt, *total* NUSF remittances for April 2019 through May 2020 were approximately $47.1 million. *Id.* at 2.

IV. Continuation of Revenues-based Surcharge on Certain Business Services

- Certain business services do not lend themselves to a connections-based assessment mechanism. These services are: Fixed local private line, radio paging, alternative access and directory, switched toll, toll private line and other toll private services.
- For the period from June 2019 through May 2020 the foregoing services generated remittances of $2,771,432.
- It seems advisable to leave assessment of these business services on the current revenues-based surcharge at the rate of 6.95%.

V. Alternatives for Per Connection Surcharge on Remaining Business Services

- In Application No. NUSF-111, Order at 26 (Aug. 7, 2018) the Commission suggested a budgetary range of $46 million and $54 million for the NUSF High Cost Program.
- Utilizing the low, mid and high points in this range plus the amounts for other NUSF Programs plus administration costs would result in the following total NUSF budget amounts:
    - $46M + $8.25M = $54.25M
    - $50M + $8.25M = $58.25M
    - $54M + $8.25M = $62.25M
- In order to calculate the total business services remittances required to meet each of the foregoing hypothetical total NUSF budgets, total residential remittances of $34,809,989 (which includes prepaid wireless NUSF remittances, *see* Section II above) and remittances from business services continuing to be assessed on a revenues basis of $2,771,432 (*see* Section IV above) would be subtracted from the budget requirement resulting in the following amounts required to be generated from mobile, wireline and VoIP business connections:
    - $54,250,000 - $34,809,989 - $2,771,432 = $16,685,579
    - $58,250,000 - $34,809,989 - $2,771,432 = $20,668,579
    - $62,250,000 - $34,809,989 - $2,771,432 = $24,668,579
- Based upon the number of business connections reported to the Department on the Worksheet by carriers for the period of June 2019 through May 2020 the monthly average number of such connections was 760,626.
- Dividing each of the above remittance requirements by 760,626 business connections produces the follow annual and monthly contribution amounts:
    - $16,685,579/760,626 = $21.94/year or $1.83/month
    - $20,668,579/760,626 = $27.17/year or $2.26/month
    - $24,668,579/760,626 = $32.43/year or $2.70/month

VI. Impact of a 5% Reduction in Residential Per Connection Surcharge

- Based upon the foregoing data, if the current $1.75/connection/month residential surcharge were to be reduced by 5% to $1.66/connection/month, based upon the mid-
- point budget of $58,250,000 (*see* Section V above) the following impact on the business services surcharge would result:

- Total residential surcharge remittances would be reduced to $33,249,616 (1,455,259 connections x $1.66/connection/month x 12 = $28,988,758 plus annual prepaid wireless remittances of $4,260,858).
- Remittances required from business services would be: $58,250,000 - $33,249,616 (residential remittances) - $2,771,432 (remittances from business services assessed on a revenues basis) = $22,228,952/760,626 = $29.22/year or $2.44/month.
- This scenario would result in 42.9% of the total NUSF budget being supported by NUSF surcharges on business services and 57.1% of the NUSF budget being supported by NUSF surcharges on residential services.