

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

REPLY COMMENTS OF QWEST CORPORATION d/b/a/ CENTURYLINK QC AND UNITED TELEPHONE COMPANY OF THE WEST d/b/a CENTURYLINK

Pursuant to Commission Order dated June 30, 2020 and supplemented on July 12, 2020 in the above-referenced docket, Qwest Corporation d/b/a CenturyLink QC and United Telephone Company of the West d/b/a CenturyLink (collectively, “CenturyLink”) hereby respectfully provide reply comments on revisions to the NUSF-99 framework being considered by the Commission.¹

The Commission is considering a connections-based assessment methodology for businesses and governments similar to the reforms implemented for residential customers on April 1, 2019. CenturyLink agrees with the initial comments offered by Cox and Charter, recommending the Commission first determine the ultimate objective of this phase of NUSF contribution reform (Cox/Charter, pages 1-2): stabilize the Fund or reestablish a 60/40 contribution split between residential and business customers. If the primary objective is to stabilize the fund, that objective has been achieved as the fund is now back on stable footing due to successful contribution reforms previously implemented by the Commission. On the other hand, if the primary objective is to reestablish a 60/40 split between residential and business customers, CenturyLink is not opposed to a properly structured connections-based contributions framework. However, the challenges and complexities that resulted in the Commission’s delay of a connections-based methodology for business and government customers two years ago still

¹ Rather than offer a reply to all comments filed by parties in NUSF-111/PI-233, CenturyLink replies only to those topics where additional commentary is necessary to aid the Commission or rebut arguments made by other parties. The absence of reply to specific comments should not be considered an acquiescence or agreement thereto.

exist today, and in some regards, implementation is further complicated by the ever-increasing complexities in the telecommunications market. Further, in a time of economic instability and budget shortfalls, certain businesses, school districts, universities and governments will experience substantial fee increases and surcharge shock with a connections-based assessment approach.

CenturyLink, AT&T, Cox, Charter, Windstream and Frontier, who are believed to represent approximately 95% of the business connections, agree that the Commission should maintain the current revenue-based assessment mechanism, at this time, for businesses, schools, universities, hospitals and government. Specifically, these companies have represented as follows:

- **AT&T:** “AT&T strongly believes the Commission should maintain business and government service on the existing revenues-based contribution mechanism.” (AT&T Initial Comments, para 5, page 2).
- **Windstream:** “Windstream believes moving to a connections-based methodology for business and government lines is impractical at this time.” (Windstream Initial Comments, pages 1-2).
- **Cox/Charter:** “. . . the Commission should retain the revenue-based contribution assessment for business services and consider other actions besides changing the contribution methodology to address any shortfall in the fund, if warranted.” (Cox/Charter Initial Comments, page 1).
- **Frontier:** “It appears that the financial threat to the NUSF viability has been overcome. Thus, the first question the Commission should address is whether there is any need at this time to change the assessment approach for business and government services at all.” (Frontier Initial Comments, page 2).
- **CTIA:** “. . . and changes to the connections-based mechanism (or any other changes) should not be used to drive an overall expansion of the NUSF.” (CTIA Initial Comments, pages 4-5).
- **CenturyLink:** “While not opposed to a connections-based contribution framework for business and government service, amidst the COVID-19 pandemic, CenturyLink recommends the Commission continue to monitor USF contributions trends prior to making and implementing any changes to business or government accounts.” (CenturyLink Initial Comments, page 2).

RIC and RTCN feel differently and urge the Commission to adopt a connections-based methodology for businesses and government:

- **RTCN:** “In short, the connections surcharge should be established so that it at least produces annual total remittance at a level of \$54 million. The RTCN stops short of recommending the Commission consider adjusting the Fund size in this proceeding. The RTCN is simply asking the Commission to return the Fund to an average level realized before changes in various practices, including billing and use, set the Fund on its downward spiral.” (RTCN Initial Comments, page 9).
- **RIC:** “... the Commission should continue its NUSF contribution reform efforts and consider adoption of a connections-based NUSF assessment mechanism for certain business services, ...” “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 ...” (RIC Initial Comments, page 4).

Commenters also generally agreed that the Commission successfully stabilized the Fund with the implementation of the contribution reforms for residential consumers:

- **Cox/Charter:** “Furthermore, Mr. Robbins stated the amount collected, \$47.1 million was within the predicted range of 46 to 54 million the Commission anticipated. Accordingly, the objectives of NUSF-100 and the revenue forecasted in NUSF-111 have been realized.” (Cox/Charter Initial Comments, page 5 with footnote omitted).
- **Frontier:** “Frontier believes that the current hybrid framework that the Commission implemented a year ago under NUSF-111 is working and is generating sufficient support for the NUSF to fulfill its obligations.” (Frontier Initial Comments, page 3).
- **Windstream:** “Windstream believes the current methodologies are sufficient to provide a stable source of funding for the NUSF and that fund levels are sufficient to support steady improvements to advanced telecommunications access for underserved and unserved Nebraskans in the near term. (Windstream Initial Comments, page 2).
- **RIC:** “The current connections-based hybrid framework, in turn, has generally resulted in stabilization of the NUSF contribution process and increased levels of NUSF remittances, ...” (RIC Initial Comments, page 5).
- **RTCN:** “The connections-based surcharge on residential services was implemented on April 1, 2019. The Commission’s objective in moving to the

new methodology was to put an end to the steadily *precipitous* decline and stabilize the Fund. The Commission’s reform of the residential line surcharge has proven to be an effective step toward accomplishing the Commission’s objective.” “The Commission’s reform to date undeniably has helped begin to stabilize the Fund. The RTCN applauds the Commission’s success, which is critical to ensuring the availability of reliable communications at affordable rates throughout the state.” (RTCN Initial Comments, page 3 with footnotes omitted).

CenturyLink agrees with RTCN and commends the Commission and its Staff for its highly successful contribution reforms on the residential side. Not only has this initiative indisputably stabilized the Fund but it was accomplished with minimal customer confusion or complaint.

In addition to the contribution methodology, a secondary issue is the overall size of the Fund. Specifically, Frontier and Cox/Charter strongly question the need for any increase in the Fund while RTCN and RIC both strongly hint at the need for an increase to the Fund to support further rural broadband deployment:

- **Frontier:** “Thus, the first question the Commission should address is whether there is any need at this time to change the assessment approach for business and government services at all. If the current contribution flow from business and government service is sufficient to maintain the financial health of the NUSF, what need would require a change in the contribution framework? (Frontier Initial Comments, page 2).
- **Cox/Charter:** “The Commission should determine the appropriate size of the fund prior to taking any action to change contributions to the fund, ...” (Cox/Charter Initial Comments, page 1).
- **RTCN:** “While the RTCN is not saying the Fund size should be increased to levels to complete statewide deployment of fiber as soon as it is needed, it is critical that the Commission continue to make the progress toward ensure that all rural Nebraskans have access to services comparable to those provided in urban areas at comparable rates.” (RTCN Initial Comments, pages 4-5 with footnotes omitted).

RIC offered a comparison chart reflecting the impacts to potential business connection rates to achieve various funding levels for the Fund, comparing the current high-cost support amount of \$40 million to the high range of \$54 million (RIC Initial Comments, page 7 and Attachment A). Although RIC did not recommend a specific desired Fund size, if the high range

is adopted by the Commission, it would result in an approximate \$14 million annual fee increase for all Nebraska businesses. Although the NUSF fee is technically a surcharge, the \$14 million increase will be viewed by businesses as a \$14 million tax increase to further fund rural Nebraska. Without a proper braking mechanism, certain businesses would possibly be harmed by the way the change has been proposed. Any change such as this should be viewed with a critical eye so that the economic good to the whole does not unduly harm a specific subgroup. City and county governments, universities, school districts, hospitals, nursing homes and other large institutional phone connection users would pay a disproportionate share of a \$14 million fee increase. Not only have these institutions not budgeted for such an increase, the citizens of Nebraska will basically be double assessed – first as part of their phone bill but also with the other tax increases as these agencies are ultimately financed with tax dollars.

Rural broadband is critical. The lack of broadband services to rural communities is difficult to address in the absence of government assistance, so additional broadband funding is essential to expand rural broadband infrastructure and access. CenturyLink is unaware of any company participating in this docket that has argued differently. However, the legislature has spoken on the issue of rural broadband deployment by statutorily creating the Rural Broadband Task Force (Neb. R.S. 86-1102). The implementing statute cannot be interpreted as a mandate for the Commission to increase business fees by \$14 million. Rather, the statute provides, “The task force shall review issues relating to availability, adoption, and affordability of broadband services in rural areas of Nebraska.” This Taskforce has been charged with, amongst other objectives, “(e) Recommend[ing] state policies to effectively utilize state universal service fund dollars to leverage federal universal service fund support and other federal funding.” The Rural Broadband Task Force has representation from the Commission, the legislature, the governor’s office, Department of Economic Development, the technology office and many other key groups throughout the state. Although no commenters made a specific proposal regarding the ultimate

Fund size, CenturyLink suggests that any significant change to the Fund size, especially any change resulting in a substantial fee increase for the purposes of rural broadband, be coordinated with the work efforts of the Rural Broadband Task Force.

Finally, although the issue of Fund distributions is not at issue in this docket, RIC once again reiterates its position that the Commission should reallocate NUSF funds away from price-cap regulated carriers for use by rate-of-return regulated carriers (RIC Initial Comments, page 4). The purpose of NUSF is not to support rate-of-return regulated carriers. Rather, the purpose of NUSF is to support service to all residents of Nebraska, regardless of the ETC that provides the service.

In making these statements, RIC is implying that the rural communities that its members serve are more important and more deserving than all the other rural communities in the state and, therefore, they should be awarded a larger portion of the NUSF. This is a false narrative that this Commission has repeatedly rejected in the past. The fact of the matter is, however, that there are just as many rural Nebraska communities within price-cap regulated areas and all Nebraskans are equally deserving of having needed broadband access. CenturyLink cautions the Commission against selecting certain areas of the state or certain citizens as being more important or more deserving than others. The Commission should employ caution in establishing prioritization criteria for broadband deployment based on geographical area alone. Rather, prioritization should focus on factors such as projects in unserved or underserved areas or those providing service to a greater number of residents. Simply put, the Commission should once again reject the false narrative advanced by the RIC group.

In conclusion, CenturyLink is not opposed to a properly structured connections-based contribution framework for business and government service. However, given that the Commission's key objective of Fund stabilization has been successfully achieved, and amidst the COVID-19 pandemic and the associated uncertainties placed on all businesses and governments

throughout the state, CenturyLink recommends the Commission not implement a connections-based contribution framework for business and government service at this time but rather continue to monitor USF contributions trends until such time as business certainty returns or the Fund is in jeopardy of losing stability. If the Commission opts to move forward with business and government connections in a properly structured framework as outlined by CenturyLink and others in Initial Comments, CenturyLink urges the Commission to maintain the Fund levels at or near the current levels. Any further Fund levels and associated fee increases should be made in conjunction with the Rural Broadband Task Force and/or further Legislative directive.

Dated this 30th day of September, 2020.

Respectfully submitted,

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