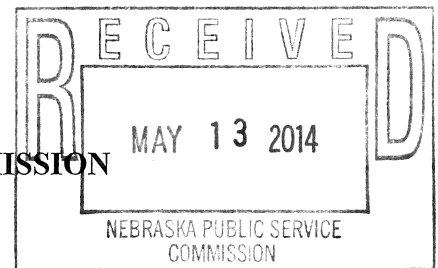


BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION



In the Matter of the Commission, on Its Own Motion, to)
Increase Broadband Adoption Among Low-Income) Application No. NUSF-91
Consumers Through the Development of a Nebraska)
Broadband Telephone Assistance Program.)

VERIZON'S FURTHER COMMENTS

MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services and MCI Communications Services, Inc. d/b/a Verizon Business Services (together, "Verizon") respectfully submit these comments in response to the Commission's April 1, 2014 "Order Seeking Further Comments" ("Order").

The Order appears to indicate that the Commission no longer proposes to implement a state broadband Lifeline program by adding a broadband component to the Nebraska Telephone Assistance Program ("NTAP"), as suggested in the original August 13, 2013 "Order Opening Docket and Seeking Comment" ("Opening Order"). If that is correct, Verizon supports the Commission's conclusion for the reasons set forth in its September 13, 2013 and October 25, 2013 comments, which are incorporated herein by reference.

The Order implies that the Commission now proposes to redirect \$2 million in Nebraska Universal Service Fund ("NUSF") support currently earmarked for the Nebraska Broadband Program ("NBP") to subsidize discounted retail broadband service provided by eligible telecommunications carriers to low-income consumers. Verizon likewise opposes this new approach, which would effectively do the same thing as the initial proposal, albeit using a different subset of NUSF funding. While repurposing NBP funds may not implicate all of the same legal issues that expansion of the NTAP would, the Commission's statutory authority to

implement the low-income broadband pilot program contemplated by the Order remains highly questionable.

Moreover, as noted in Verizon's earlier comments, the far better course is to await the data being collected through the Federal Communications Commission's ("FCC") low-income broadband pilot project – which concludes in less than three months – and evaluate it thoroughly before taking any action. Acting prematurely without the benefit of that valuable information risks wasting millions of NUSF dollars on a program that will not work, to the detriment of Nebraska ratepayers and contrary to careful stewardship of the NUSF.

Discussion

Issue 1. Should the Commission allocate a portion of the universal service fund support currently set aside for broadband grants to initiate a pilot program subsidizing retail broadband service for low-income subscribers? Why or why not?

No. For the reasons outlined below and in Verizon's previous comments, the Commission should not allocate a portion of the NUSF support currently set aside for broadband grants to initiate a pilot program subsidizing retail broadband service for low-income subscribers.

At the outset, it is important to recognize that broadband is widely available in Nebraska. According to the National Telecommunications and Information Administration's ("NTIA") National Broadband Map, as of June 13, 2013, 93.6 percent of Nebraskans had access to wireline broadband service with a download speed greater than 3 Mbps, and 97.2% percent of Nebraska's population could obtain such speeds from at least one wireless provider of broadband service.¹ Moreover, 94.9 percent of the state's population had access to one or more wireline broadband service providers, and 99.1 percent had access to *two* or more wireless broadband service

¹ See <http://www.broadbandmap.gov/summarize/state/nebraska>.

providers. *Id.* As discussed further below, there is no evidence that the cost of broadband service is the main reason for non-adoption, and in fact, all indications are that other factors are primary.

Thus, at this point, it would be premature for the Commission to even consider a low-income broadband pilot project. The FCC's 18-month pilot program began February 1, 2013 and will conclude in less than three months, on August 1, 2014.² The FCC data may not only eliminate the need to conduct a costly pilot project, but may also demonstrate that such programs do not have the intended effect (as Frontier has already observed with its broadband pilot project in Ohio³). Allocating \$2 million in NUSF funds to conduct a duplicative (and less robust) experiment when the FCC's pilot project is nearly complete would be an unjustified expenditure of valuable NUSF resources.

As noted in Verizon's September 30, 2013 Initial Comments, Nebraskans pay a substantial NUSF surcharge of 6.95% on their intrastate telecommunications bills,⁴ on top of a hefty Federal USF surcharge that has increased from 15.6% to 16.6% during the pendency of this proceeding.⁵ Rather than looking for new ways to spend NUSF funds – particularly \$2 million on an experiment already undertaken (and nearly complete) at the federal level – the Commission should focus on close adherence to the limitations on its authority and the policy statements in Neb. Rev. Stat. §§ 86-102(1) and (3) regarding preserving the affordability of

² See Order, *In the Matter of Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42, DA 12-2045 (Wireline Competition Bureau, December 19, 2012) at ¶ 18 (“*FCC Broadband Pilot Order*”). The 18-month period includes three months for implementation of necessary back-office functions, up to twelve months of subsidized service, and three months for finalization of data collection and analysis. *Id.*

³ See “Comments of Citizens Telecommunications Company of Nebraska d/b/a Frontier Communications of Nebraska” (September 30, 2013) (“Frontier Comments”) at 3.

⁴ See Verizon 9/30/13 Comments at 3.

⁵ See Public Notice, “Proposed Second Quarter 2014 Universal Service Contribution Factor,” DA 14-337 (rel. March 12, 2014), available on-line at http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0312/DA-14-337A1.pdf.

telecommunications services and ensuring that consumers pay only reasonable charges for such services. As Verizon previously noted, the burden of paying for excessive USF subsidies risks pricing some consumers out of the market altogether. Verizon 9/30/13 Comments at 3. The Commission should not risk causing consumers to terminate their voice service as a consequence of attempting to encourage broadband adoption.

Moreover, the Commission's proposal to spend \$2 million on a low-income broadband pilot program continues to depend on an unsupported assumption that that price is the main reason that broadband adoption rates in Nebraska are not higher. Such an assumption ignores the two other key factors discussed in the April 2012 Pew Research Study cited in the Commission's Opening Order: lack of relevance to potential users, and lack of digital literacy. As Verizon previously noted, the Pew study indicates that these two factors together eclipse price as the main reason for respondents not going on-line: 48% of respondents cited lack of relevance, 21% cited price, "a similar number" cited inability to use the Internet, and 6% cited lack of access or availability. See Verizon 9/30/13 Comments at 4, citing Pew Study at 6-7.

The FCC's Wireline Competition Bureau ("WCB") also cited non-price issues in selecting the projects to be funded by the FCC's broadband pilot program, noting that the "Commission has recognized the importance of digital literacy and access to equipment in encouraging broadband adoption and in providing the tools consumers need to exploit the benefits of broadband." *FCC Broadband Pilot Order* at ¶ 11. Similarly, a study released just last month by NTCA – The Rural Broadband Association ("NTCA") stated that there is widespread agreement that the barriers to broadband adoption fall into four categories: (1) lack of demand; (2) lack of access; (3) lack of resources (both for subscriptions and computer

equipment); and (4) lack of knowledge/experience about the Internet.⁶ The *NTCA Whitepaper* stated that “the difficulty lies in the fact that non-adopters are typically impeded by two or more of these barriers at a time.” NTCA noted that a June 2013 report of the NTIA and Economics and Statistics Administration found that only 28% of broadband non-adopters cited “too expensive” as the reason, whereas 48% stated that they “didn’t need the Internet at home and weren’t interested in it,” 13% either had no computer or an inadequate computer, 3% used the Internet outside of their home, 1% cited unavailability of broadband service, and 7% “gave another reason.” *Id.* at 8-9. These sorts of analyses demonstrate that any program that focuses exclusively on a single factor – such as the price of a broadband subscription – is apt to fail.

a. Is a \$2 million allocation for calendar year 2015 reasonable? Please explain.

No. As discussed above, the Commission should not proceed with the proposal and should instead await the data that will soon be available as a result of the FCC’s pilot program. Moreover, given that the FCC allocated only \$13.8 million for the national low-income broadband pilot,⁷ \$2 million is excessive for a single project in a single state, focused on a single aspect of the multi-faceted reasons for broadband non-adoption.

b. For calendar year 2014, the Commission set aside \$9 million for the broadband grant program. An allocation of \$2 million in 2015 would leave \$7 million for the broadband grant program. Would this change be reasonable? Why or why not?

See response to Issue 1.a. above.

c. Are there other alternatives the Commission should consider to increase broadband adoption in Nebraska? Please explain.

⁶ See Schadelbauer, R. (Economist, NTCA – The Rural Broadband Association), “Conquering the Challenges of Broadband Adoption (April 2014) at 7 (available on line at http://www.ntca.org/images/stories/Documents/Advocacy/CCBA_Whitepaper.pdf) (“*NTCA Whitepaper*”).

⁷ See *FCC Broadband Pilot Order* at ¶ 1.

Yes. The Commission should allow federal broadband incentive programs to bear results, await the repository of data that will become available when the FCC's low-income broadband pilot project ends in August 2014, and focus its energies in the meantime on supporting public-private partnerships promoting broadband, such as the Connected Nation model (<http://www.connectednation.org/>).

The Commission could also aid outreach efforts to help publicize the low-income broadband initiatives already offered by various Nebraska providers, which offer a considerably greater discount than the Commission's proposal for a \$10/month subsidy. For example, both Comcast and CenturyLink offer qualifying low-income consumers broadband subscriptions for approximately \$10/month, as well as subsidized computer equipment. *See* Verizon 9/30/13 Comments at 5. The Commission could also support and publicize efforts to increase digital literacy, which should encourage broadband adoption even without subsidies. Verizon 9/30/13 Comments at 4.

Issue 2. If the Commission does initiate a pilot program to make broadband service more affordable to consumers, how much should the Commission provide in monthly support?

a. Is a \$10.00 subsidy reasonable?

As discussed above, the Commission should not proceed with the proposed pilot program, nor should it adopt an arbitrary subsidy amount. One focal goal of the FCC's low-income broadband pilot program is to determine "which discount programs are most effective in promoting broadband adoption and retention." *FCC Broadband Pilot Order* at ¶ 8. Because the FCC "has a particular interest in learning which discount plans are most effective in promoting broadband adoption and retention," the WCB selected projects "carefully designed as field

experiments to test subsidy amounts that could help in evaluating how best to structure a Lifeline program in the future” and chose proposals “well designed to provide useful data regarding the impact of subsidy amounts on adoption,” testing monthly subsidies ranging from as low as \$5/month to as high as \$39.95/month for a project serving tribal lands. *Id.* at ¶ 9. The chosen projects are “test[ing] a range of monthly end-user charges, such as \$40, \$35 or \$20,” aiding analysis of the “choices that Pilot Program subscribers make in determining the monthly cost of service and speeds, when given an option, [which] will provide helpful data on the amount low-income consumers are willing to pay for different speeds and levels of service.” *Id.* The Commission should await this data rather than forging ahead on the basis of unsubstantiated guesswork about optimal discount levels.

Finally, as discussed in conjunction with Issue 1.a., a program focused solely on a flat monthly discount will not address the panoply of factors that result in broadband non-adoption. The Commission should not expend valuable NUSF resources on a pilot project that attempts to address only a single aspect of the issue. As NTCA stated:

It should be stressed, however, that the decision to subscribe to broadband service or not is based on value more than strictly price. In other words, consumers will look at the cost of the service and compare that to the benefits that will be provided in return. This is where the relevance barrier comes into play – if consumers can be educated as to what broadband can do for them and how it can change their lives, they may decide that it is worth more of their disposable income than they otherwise might think.⁸

- b. Would a \$10.00 discount on a monthly recurring bill result in consumers paying a reasonable share for their broadband service while addressing the Commission’s affordability concerns? Why or why not?**

See response to Issue 2.a. above.

⁸ *See NTCA Whitepaper* at 11.

c. Are there other alternatives the Commission should consider?

See responses to Issues 1.c. and 2.a. above.

Issue 3. If the Commission does initiate a low-income broadband pilot program:

- a. Should the Commission establish a test period for the pilot program and then determine the efficacy of the program?**
 - i. If so, how should the success of the pilot program be measured?**
 - ii. Is there relevant data providers have collected from other broadband adoption programs that the Commission should consider?**
- b. If the Commission establishes a pilot program, how should the Commission encourage consumer awareness of the program?**
- c. Should there be a requirement for providers to advertise the availability of the discount program? Should this requirement be different from the requirement Lifeline providers have today?**

See generally the responses to Issues 1 and 2 above. The FCC's low-income broadband pilot project concludes in less than three months and will provide valuable data on all of these subjects. *See generally FCC Broadband Pilot Order.* The responsible course would be to await this trove of data rather than forging ahead without the benefit of the lessons learned from the FCC pilot program.

Issue 4. Are there any other suggestions or proposals the Commission should consider at this time?

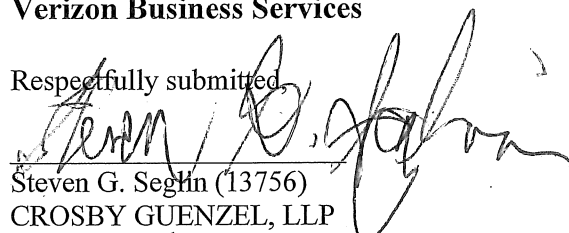
The FCC's low-income broadband pilot program will wrap up in less than three months and will result in a wealth of valuable, current data regarding the topics raised in the Order. Rather than rush ahead without the benefit of that data and potentially waste millions of NUSF dollars collected from ratepayers, the Commission should await the FCC data and analyze it

carefully before deciding on any course of action. It should also solicit an opinion from the Nebraska Attorney General on whether the Commission has statutory authority to use NUSF funding to subsidize broadband for low-income consumers, should it determine that the FCC data support such an effort. In the meantime, the Commission should focus on other ways of encouraging broadband adoption in Nebraska, as discussed in response to Issue 1.c.

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Respectfully submitted,



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