

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the matter of the Commission,)
on its own motion, to increase)
broadband adoption among low-)
income consumer through the)
development of a Nebraska)
broadband telephone assistance)
program.)

Application No. NUSF-91

COMMENTS

ON BEHALF OF

WINDSTREAM NEBRASKA, INC. (“WINDSTREAM”)

RE: ORDER SEEKING FURTHER COMMENTS, ENTERED APRIL 1, 2014

Windstream's Comments

In response to the questions posed by the Nebraska Public Service Commission (“Commission”) by Order issued April 1, 2014, Windstream states its belief the Commission should not under current circumstances sacrifice one mission, supply-side broadband funding for unserved and underserved parts of the state, for the sake of another mission, demand-side broadband funding for low-income consumers. The broadband grant program is already heavily over-subscribed. Diverting needed funds from that program, even temporarily, will delay remedying the infrastructure gap for rural areas. Windstream generally supports the Commission’s consideration of a broadband lifeline program; however, other programs should not suffer to create a new program. Accordingly, Windstream recommends the Commission find another source of funds for a lifeline pilot project without affecting the broadband grant program or high-cost support fund or reduce the amount of funding it would allocate away from the broadband grant program.

Below, Windstream responds to a selected number of the specific issues the Commission circulated for public comment. Windstream reserves comment on issues not discussed below.

- 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?**
 - a. Is a \$2 million allocation for calendar year 2015 reasonable? Please explain.**
 - 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?**
 - c. Are there other alternatives the Commission should consider to increase broadband adoption in Nebraska? Please explain.**

The Commission should not allocate funds away from the broadband grant program. As the Commission staff noted in its recommendation addressing this year's grant applications, the grant program is significantly over-subscribed. The number of applications and projects submitted has increased year-to-year,¹ with "demand significantly outpacing supply."² If the need for the grant program funds was diminishing – that is, if the number of unserved and underserved areas of the state requiring infrastructure improvements for broadband services was nearing a floor – the program would not be growing and would not be over-subscribed. Instead, over-subscription indicates the necessity of preserving the broadband grant program's funding. The grant program has been successful in fulfilling the purpose for which it was designed: to close the broadband availability gap. Removing 22.22% (\$2M of the \$9M) of the funds necessary to fulfill that purpose, even if only on a temporary basis, could seriously hamper the Commission's objective to close the broadband availability gap.

Aside from possible ill effects from removing significant funds from the broadband grant program, there is also the question of the appropriate scale for a first-time "pilot" project of this nature.³ Often, a pilot is a smaller scale preliminary study conducted to evaluate or test the

¹ In the April 22, 2014, staff recommendation in the NUSF-92 application dockets ("Recommendation"), staff notes, "Sixteen (16) applications were received with a total of ninety-six (96) projects; increases of 60% over Year 2 and 380% over Year 1." Recommendation at p. 7.

² Recommendation at p. 13.

³ When the Commission decided to create the broadband grant program, the Commission devoted \$4M to the program in the first year. It does not appear that funds to other programs were adversely affected from that decision; and the Commission recognized that funding could change in future years, depending on factors such as the number of applications, continued need, and USF funding available. *See, Application No. NUSF-77, Progression Order No. 3*, June 14, 2011. For the broadband grant program, the funds support one-time capital outlays and do not entail recurring support that, once started on a certain scale, could prove problematic to re-write without adverse consequences on the parties involved.

feasibility, time, cost, effect, etc. of a proposal. While Windstream is not aware of any other state that has a broadband lifeline program or a pilot project for such, the FCC did approve several broadband lifeline pilot projects in 2012, and those can provide a useful basis for analysis. For one year the FCC devoted \$13.8M for 14 pilot projects in 21 states and Puerto Rico, out of some \$200M in projected savings in the roughly \$2.2B federal lifeline program. The federal pilots were thus less than 1% of the total federal Lifeline program. The FCC was able to allocate resources to the pilot programs without diminishing resources for other programs, and the relative scale of the FCC's pilot projects for the country was smaller than what the Commission's contemplates here as a pilot for Nebraska.⁴ The total state USF Fund in Nebraska for fiscal year 2012-13 was \$51.2M.⁵ A \$2M pilot would constitute almost 4% of the state USF. The Commission reported to the Legislature last year that about 13,800 Nebraskans were enrolled in Nebraska Telephone Assistance Program ("NTAP"),⁶ and the NTAP credit per month was \$3.50 for non-tribal land recipients.⁷ While Windstream was not able to readily locate a dollar figure for NTAP's size for the last fiscal year, the available enrollment figures tend to indicate that total NTAP is less than \$2M, so a \$2M broadband lifeline pilot would probably be double NTAP's current size.

While Windstream is generally supportive of the Commission's consideration of a broadband lifeline program, Windstream does not support removing \$2M of the broadband grant program's funding in favor of such a pilot project. Nor would it be reasonable to allocate any

⁴ The FCC contemplated allowing \$25M dollars for pilot projects, but approved \$13.8M. Thus, funds devoted to the pilot projects amounted to about \$627,272 per state/territory with an approved project and \$276,000 per state for all 50 states. Total pilot project dollars were less than 1% of the total federal lifeline program.

⁵ http://nebraskalegislature.gov/FloorDocs/103/PDF/Agencies/Public_Service_Commission/268_20130927-103542.pdf ("PSC 2013 Annual Report"), page 20.

⁶ According to USAC, in March 2014, there were 11,483 federal lifeline subscribers in Nebraska.

⁷ PSC Annual Report, pages 29 - 30.

funds away from the high cost fund and jeopardize that fund's mission at a time when the FCC's decisions on high cost support have caused grave uncertainty among rural carriers.

If the broadband grant program is absolutely the only funding source available, Windstream suggest that something around \$275,000 is more reasonable under the current circumstances. This sum is consistent with the size of the FCC's pilots for a program of this type. And if the Commission were to authorize a fixed credit pilot for a 12-month period the \$275,000 sum could, in raw numbers without administrative cost, fund a \$10/month credit for over 2,000 customers or \$20/month for over 1,000 customers -- a sufficient sample size to gather data, test the feasibility of the project and remove any bugs from the system prior to considering a larger scale program. This incremental approach would also permit the Commission to assess data from the adoption side relative to the need for and results from the grant program before deciding on how to achieve the proper balance between the two.

The broadband adoption equation can be a complex one, and barriers to adoption include more than just the expense of broadband services. The Pew Research Center Internet Project of 2013⁸ reflects that 34% of adults who do not use broadband think the Internet is not relevant to them; another 32% believe broadband is too difficult to use, they do not know how to use it, or are otherwise unable to use it; and price (including computer or device costs) was a barrier to 19% of non-user respondents. This complexity may also counsel in favor of a more incremental approach. Starting out smaller will permit the Commission to more easily make changes, modify

⁸ <http://www.pewinternet.org/2013/09/25/whos-not-online-and-why/> For an adoption analysis with greater focus on rural areas, see NTCA's April 2012 "Conquering the Challenges of Broadband Adoption" at the following link: http://www.ntca.org/images/stories/Documents/Advocacy/CCBA_Whitepaper.pdf

objectives and adjust resources to achieve effective results and, in the long term, get the most “bang for its buck.”

- 2. If the Commission does initiate a pilot program to make broadband service more affordable to low-income consumers, how much should the Commission provide in monthly support?**
 - a. Is a \$10.00 subsidy reasonable?**
 - 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?**
 - c. Are there other alternatives the Commission should consider?**

When the Commission was developing the broadband grant program, it looked to what several other states were doing with similar programs for the right approach and best practices. However, with respect to a broadband lifeline program, there are no other states to look to for guidance; there are only the FCC approved pilot programs. Most of those pilot projects involved a fixed broadband service credit to consumers, often in amounts larger than the \$10/month the Commission suggests here.⁹ The 18-month period for the FCC pilot projects ends in July this year, and data/reports from the provider participants are due to be submitted then. Although it is not yet known when the FCC will publish an analysis derived from its pilot project data gathering, information from the FCC could certainly go a long way in helping the Commission design an effective longer-term broadband lifeline program.

- 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?**

⁹ *Order Approving Lifeline Pilot Program*, WC Docket No. 11-42, released December 19, 2012.

- 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?**

As stated above, Windstream believes the Commission should consider re-drawing a smaller scale, smaller scope pilot. The Commission could open this smaller scale project to “expressions of interest” by broadband providers and then approve the plan of one or more providers with proposals best suited to the Commission’s specific objectives and expectations for data gathering and analysis.

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

None at this time.

Respectfully submitted this 12th day of
May, 2014.

/s/ Matthew Feil
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