BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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

COMMENTS OF
CITIZENS TELECOMMUNICATIONS COMPANY OF NEBRASKA
D/B/A FRONTIER COMMUNICATIONS OF NEBRASKA

In its November 13, 2019 Progression Order No. 2 in this docket ("Progression Order 2"), the Nebraska Public Service Commission ("Commission") noted findings it had recently made in NUSF-108, and identified several possible changes to the existing NUSF-99 framework with respect to broadband deployment. In that order, the Commission sought input on several specific questions.

Citizens Telecommunications Company of Nebraska, Inc. ("Frontier") files the following Comments in response to Progression Order 2.

Background

On September 1, 2015, the Commission issued an order in NUSF-99 in which it adopted a new framework for providing NUSF support to price cap carriers (Frontier is a price cap carrier). In that order, the Commission concluded that because of the changed circumstances, it would treat price cap carriers differently from the rate of return carriers for purposes of NUSF computation. The Commission concluded that it would freeze the price cap carrier support at 2015 levels. In addition, the Commission decided that 80% of a price cap carrier's NUSF support would be directed to reimburse for broadband deployment projects, with the remaining 20% designated for on-going support of existing networks.

Subsequently, the Commission has addressed the issue of NUSF funding and distribution methodology for rate-of-return carriers in the state. The Commission's approach and decisions with respect to the rate-of-return carriers differ somewhat from what the Commission had previously ordered with respect to the price cap carriers. In this Progression Order 2, the Commission seeks comment on whether to revise its NUSF framework for price cap carriers to more closely align with its treatment of rate-of-return carriers. To that end, the Progression Order 2 lists five specific questions upon which the Commission seeks comment.

Question 1

The Commission asks whether a 25/3 Mbps standard of broadband service should be adopted as it was for rate-of-return carriers, and applied to price cap carriers for purposes of broadband deployment. As the FCC has generally adopted the 25/3 Mbps standard, the application of this standard for price cap carriers is not unreasonable going forward. Nevertheless, it should be recognized that the FCC designed its CAF II program and funding with a 10/1 Mbps standard. Thus, carriers such as Frontier have been operating in compliance with that speed standard as they have pursued their broadband deployment under the CAF II program. While those CAF II deployments may not meet this new 25/3 Mbps standard, they are fully compliant with the expectation and requirement of the CAF II program under which they were deployed.

Question 2

The Commission seeks comment on two general areas in this question. First, the Commission wonders whether it should more explicitly direct where and how carriers must use NUSF support to deploy broadband by three approaches: designating specific census blocks where the support can be used; prioritizing certain areas for broadband deployment; or by preferential treatment of projects that are fiber optic based. Frontier does not believe that a more prescriptive approach by the Commission in terms of potential areas for broadband deployment projects or type of network design would be beneficial. Carriers did not design their existing networks with an eye to census block arrangements, but rather in a way to best serve customer locations. Carriers have knowledge of the extent and capacities of their existing network, and can best design and implement network enhancement without reference to any particular listing of census blocks.

Further, the areas within a carrier's service territory can vary widely in terrain and demographics. While a fiber to the home approach may be reasonable in one area, it may not in another. The Commission should not constrain carriers in terms of arriving at the most reasonable deployment technology for any particular area.

Second, the Commission seeks comment on issues regarding fixed wireless technology and its deployment. While fixed wireless technology may or may not be less costly than fiber to the home in particular cases, the relevant question is whether the cost to provide broadband to any particular area by whatever technology is of such a level as to make deployment uneconomical without NUSF support. For example, suppose the cost to deploy fiber to the home in a particular area is $2 million and the cost to deploy fixed wireless technology is $1 million. While the fixed wireless solution is less costly, that does not mean that it can be economically deployed in that area absent NUSF support. That $1 million cost may still be too high for service to be deployed economically. Without NUSF support, no broadband deployment (either fixed wireless or fiber to the home) would be able to be supported in that area.

Question 3

The Commission notes that, for rate-of-return carriers, it has adopted a requirement to designate projects and use the funding within two years and seeks comment on whether that approach should be applied to price cap carriers. Under Frontier's understanding of this requirement, price cap carriers would need to propose uses for their 2019 NUSF funding by the end of 2021, for example. Consistent with past practice, carriers would then have 2 years after a project is approved to complete the work. Assuming this understanding is correct, Frontier is not opposed to such a requirement.

Question 4

As noted above, the Commission has bifurcated the NUSF support for carriers into two portions: 20% for on-going maintenance and operation of existing facilities and 80% for deployment of new broadband facilities. Regarding that 20% allocation of funding for on-going maintenance and operation, the Commission seeks comment on several topics.

The Commission seeks comment on whether this on-going support should be tied in some way to census blocks where the carrier is providing both voice service and 25/3 broadband. It should not. As the Commission is aware, the geography and demographics of large portions of the state are such that the cost to provide and maintain 25/3 broadband service is too large to allow deployment of that level of service, absent some sort of support. Indeed, the cost to simply provide voice service in these areas is such that it could not be economically provided absent NUSF support, as the Commission has seen over the years via its review of the EARN forms of carriers. Thus, the suggestion that on-going support would only be provided in areas where both voice and 25/3 broadband are being provided would have devastating results. In those most high cost areas, the loss of that on-going support would preclude carriers from maintaining their existing voice service and/or broadband service as needed.

Regarding the creation of some new reporting requirement, similar to the EARN form, Frontier is not clear about the need for such additional reporting. The current levels of NUSF support provided to companies is fundamentally based on the companies' EARN form results. It is Frontier's understanding that the EARN form quantifies the costs and revenues associated with the on-going provision of basic voice telephone service. Thus, if a particular carrier's EARN form results show a need of $1 million, that indicates that the on-going costs of providing basic voice service exceed the associated revenues by $1 million. The Commission bases that carrier's total NUSF support on that $1 million figure. In its earlier decisions, the Commission has now broken that total NUSF support figure into two components, 20% for on-going support and 80% for reimbursement of new broadband deployment. So, based on the existing EARN form reporting processes and Commission decisions, while the carrier shows a need for $1 million in support of the on-going provision of basic voice service, its on-going NUSF support will only be $200,000. The on-going costs of providing a network that provides 25/3 broadband service in additional to voice service would necessarily be greater than the costs to provide basic voice service alone. Frontier believes the current EARN form reporting process is sufficient to demonstrate the appropriate uses of NUSF support for on-going maintenance and operational costs. No additional reporting seems necessary.

Question 5

As the Commission notes, there may be changes in the federal support available to price cap carriers. However, exactly what those changes may be and when they might be implemented is unknown. Therefore, it would be premature for the Commission to try to "react in advance" to any possible future federal changes. The Commission would be better served to wait until any changes are clearly identified before making any decisions on this matter.

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Respectfully submitted,

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