

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public)	Application No. NUSF-119/PI-233
Service Commission, on its own motion,)	PROGRESSION ORDER NO. 2
to consider revisions to the contribution)	
methodology and determine a rate design)	
for services currently subject to a)	
revenues-based surcharge.)	
)	

COMMENTS OF WINDSTREAM

Windstream Nebraska, Inc., (“Windstream”) provides the following comments in response to the Nebraska Public Service Commission’s (“Commission”) Motion to consider revisions to the Nebraska Universal Service Fund (“NUSF”) contribution methodology and determine a rate design for services currently subject to a revenues-based surcharge:

I. BACKGROUND AND INTRODUCTION

On June 30, 2020, the Commission entered an order opening docket NUSF-119/PI-233 and seeking comments as to whether the Commission should adopt a connections-based contribution mechanism for business and government lines and a number of questions related to subsequent considerations if a connections-based contribution mechanism for business and government lines is adopted. Windstream and other carriers have previously provided comments to the Commission regarding connections-based contribution methodologies in NUSF-100 and NUSF-111.

Windstream appreciates the Commission's continuing efforts to evaluate funding and contributions to the NUSF, which provides vital support to expanding broadband access for all Nebraskans. Likewise, Windstream has previously advocated for adoption of a uniform, per-connection surcharge and a cap on assessable lines, similar to the mechanism used to calculate the state's Telecommunications Relay System ("TRS") surcharge. Although Windstream understands and supports the Commission's efforts to stabilize the NUSF as much as possible, Windstream

believes moving to a connections-based methodology for business and government lines is impractical at this time.

II. COMMENTS ON PROPOSAL

As a preliminary matter, Windstream is wary of any changes to the NUSF contribution methodology that would increase the financial burden on business and government subscribers or carriers in light of the COVID-19 pandemic. Not only could shifting business and government NUSF contributions to a connections-based surcharge inevitably will result an increase for some business customers and decreases for others.¹ As described by many carriers in prior NUSF dockets, calculating the proper remittances for business and government subscribers under a connections-based methodology presents far more challenges than implementation of connections-based methodology for residential lines. 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.

A. Short-Term Continuation of The Revenues-Based Contribution Methodology Will Benefit Business and Government Subscribers Suffering from The Pandemic.

One justification for transitioning business and government lines from a revenues-based to a connections-based contribution methodology is the recent trend of declining revenues but stable connections. This trend has been rightly viewed as a detriment to the NUSF, but now may be a policy reason for maintaining the revenues-based methodology in the short-term. Moving towards a connections-based methodology will create a stable surcharge calculation for business and government subscribers, but it also will cause fluctuations to many customers' surcharge at the

¹ See Initial Comments of Windstream, NUSF-111/PI-211, 4-8 (Jan. 30, 2018); *see also* Direct Testimony of William F. Kreutz, NUSF-100/PI-193, 8-10 (Mar. 24, 2017).

outset of implementation. Because the pandemic has taken a toll on Nebraska's business community, as well as revenues for state and local governments, retaining the revenues-based contribution methodology in the short-term could provide much needed stability for these subscribers.

B. Challenges Facing Implementation of a Connections-Based Contribution Methodology for Business and Government Lines.

There are several challenges that must be overcome to properly implement a connections-based contribution methodology for business and government lines, including defining "connection" and "assessable service," setting a cap on the number of assessable connections per subscriber, and creating a sufficient audit process to ensure compliance with remittance requirements.

The Commission previously proposed definitions for "connection" and "assessable service" in its October 31, 2017 Order in NUSF-100/PI-193.² As Windstream stated in its January 30, 2018 Initial Comments under NUSF-111/PI-211, those proposed definitions could benefit from more detail regarding the counting of connections and Windstream recommends the Commission propose a matrix for comment that would outline provisioning types and associated counting instructions. Such detail is necessary for Windstream to more fully comment on whether a connections-based contribution mechanism for business and government lines should be adopted. In addition, understanding when a connections-based surcharge would be assessed is necessary to calculate any cap on the number of assessable connections per subscriber. Windstream renews its concerns that proceeding with a connections-based surcharge on business and government lines without also implementing a per-subscriber cap will result in extreme increases for subscribers

² *In the Matter of the Nebraska Public Service Commission, On Its Own Motion, to Consider Revisions to the Universal Service Fund Contribution Methodology*, NUSF-100/PI-193, ORDER (October 31, 2017) at 30.

with a very large number of connections. Windstream supports the adoption of a cap, which may need to account for a number of factors.

Finally, Windstream believes the Commission should request precise and current data from carriers in order to better formulate a connections-based methodology proposal and corresponding audit process. Form 477 data does not account for expected differences in the types of connections and is insufficient for determining the appropriate surcharge rate and the impact of a proposed cap scheme. Moreover, such data is reported semi-annually in arrears which further reduces its value. Because Form 477 data is insufficient, the Commission will likely have to formulate a new reporting scheme to calculate and audit carrier remittances. The revenues-based methodology has the benefit of long-standing financial reporting by carriers, which provides a de facto audit system and incentivizes accurate reporting and remittances. The secondary affect is a level-playing field for carriers. Without proper checks to correspond to a connections-based methodology, the Commission risks creating a mechanism whereby carriers who are properly remitting fees to the NUSF are placed at a competitive disadvantage compared to those shirking their remittance requirements.

III. Conclusion

Windstream supports the Commission's review of NUSF contribution mechanisms and continued exploration of a connections-based methodology for business and government lines. However, further carrier data is needed to truly formulate a proposed methodology and understand the variables influencing the fiscal impact of such methodology on the fund and subscribers. Moreover, the Commission should delay implementing any changes that could increase the surcharges paid by business and government subscribers until they can recover from the pandemic.

Respectfully submitted on this the 31st day of August 2020.

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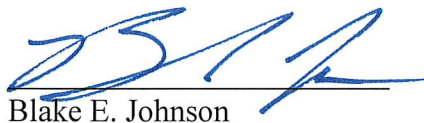
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 31, 2020, one (1) original, five (5) paper copies, and one (1) electronic copy of the foregoing Comments on behalf of Windstream Nebraska, Inc. in NUSF-119/PI-233 were delivered to:

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