

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service Commission, on its own motion, to consider revisions to the universal service fund contribution methodology

Application No. NUSF-100

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

On November 13, 2014, the Nebraska Public Service Commission (“Commission”) issued an Order Opening Docket and Seeking Comment in the above referenced proceeding. In this docket, the Commission is considering whether it should revise the methodology used to determine contributions to the Nebraska Universal Service Fund (“NUSF”). On February 13, 2015 several parties filed comments in this docket, and most parties seemed to be in agreement that the Commission’s current revenues based assessment methodology needed to be changed. However, a number of other issues were raised in those comments. Qwest Corporation d/b/a CenturyLink QC and United Telephone Company of the West d/b/a CenturyLink (collectively, “CenturyLink”) respectfully file these reply comments in response to the initial comments filed.

Charter Fiberlink – Nebraska, LLC (“Charter”) and Cox Nebraska Telecom, LLC (“Cox”) argue that the Commission should delay action in this docket until the Federal Communications Commission (“FCC”) has acted in its docket on contribution methodology reform.¹ CenturyLink does not agree. The contributions to the NUSF have dropped dramatically, leading to a commensurate decline in funding that is available for the high cost fund as the Commission balanced the level of funding available to achieve the goals of the NUSF with the level of the surcharge. Distributions from the NUSF High Cost Fund have dropped by nearly 50% in the last decade, from \$73 million in 2005 to \$37 million in 2015. Moreover, the funding available for the high cost fund dropped by more than 11% from 2014 to 2015.

¹ See *Initial Comments of Charter Fiberlink-Nebraska, LLC*, p. 3 and *Comments of Cox Nebraska Telecom, LLC* p.2.

Declines in contributions, and in distributions, are expected to continue. These declines make it difficult for carriers to plan for the costly maintenance and upgrades to facilities needed to extend and maintain affordable service to rural Nebraska as they do not know how much support they will receive from the NUSF each year. One of the objectives of the NUSF was that distributions would be specific, predictable, and sufficient.² The significant declines that have occurred in distributions cannot be considered specific or predictable.

The FCC also uses a revenues based contribution methodology, and has also continually adjusted the level of contributions over the years in order to maintain funding. The FCC has adapted to the problem by increasing the FUSF surcharge that is applied to interstate revenues to continue to derive the support needed for its universal service programs. The FUSF surcharge has risen from 9.7% in the first quarter 2007 to 16.8% for the first quarter 2015. The Commission, however, has chosen to maintain the NUSF surcharge at 6.95%³ and reduce distributions to eligible carriers. As many of the commentors noted, this course of action cannot continue as the contributions into the NUSF will continue to decline.

The FCC originally opened its docket to investigate contributions methodology reform in 2002; however after all of these years the FCC still has not adopted a solution. CenturyLink urges the Commission not to wait for the FCC to act and implement contributions methodology reform now.

Cox also states that the Commission should first open a docket to determine the appropriate size of the fund.⁴ CenturyLink agrees that the Commission must determine the amount of funding that is needed to support the various NUSF programs; however CenturyLink does not agree that it is necessary to open a separate docket, and delay the current docket, to make that determination. The

² Neb. Rev. Stat. Section 86-323(5).

³ Except for the period from October 1, 2005 through March 31, 2007, when the surcharge was 5.75%.

⁴ Cox initial comments, p. 3

Commission can and should make a determination regarding the appropriate size of the fund as part of the current docket.

Cox also states that a carrier receiving CAF support should receive less NUSF high cost support than it has in the past.⁵ What Cox fails to understand is that the FCC is repurposing the support that price cap carriers will receive under CAF. Instead of receiving support to offset the high cost of providing voice service to rural customers, price cap carriers will now receive support to deploy a network capable of providing broadband and voice service to specific and targeted rural areas that do not have broadband service now. This action by the FCC makes the need for state high cost support more important than ever.

The Rural Telecommunications Coalition of Nebraska (“RTCN”) proposes the Commission adopt a contributions methodology that is a hybrid of a revenues based and a connections based methodology.⁶ CenturyLink believes that such a methodology could be studied as an interim step as the Commission migrates over to a fully connections based methodology but is concerned about potential implementation issues and costs of a hybrid approach.

Finally, the Rural Independent Companies (“RIC”) states that broadband users should also contribute to the NUSF.⁷ CenturyLink agrees. Broadband customers send and receive voice calls to and from the public switched telephone network using IP services (or VoIP) just as much, if not more, than traditional voice customers whose calls originate and terminate entirely on that network. As the public switched telephone network is transformed to an all-IP-based communications network, broadband customers will have a vested interest in insuring the network is properly maintained and upgraded so

⁵ *Ibid.* “If a carrier receives CAF support, it should not be necessary for that carrier to receive the same historical amount of NUSF support. In fact, it should be assumed that the receipt of CAF funds negates the need to receive NUSF high-cost support absent a demonstration that the CAF funds do not adequately support the high-cost area. Without such a review, carriers could potentially ‘double-dip’ and receive funding from both programs for the same needs in the same area.”

⁶ See *Comments of the Rural Telecommunications Coalition of Nebraska*, p. 3.

⁷ See *Comments of the Rural Independent Carriers*, p. 3.

that voice communications can continue, uninterrupted, well into the future.⁸ It was not that long ago that wireless carriers did not contribute to the NUSF. However, the Commission correctly determined that wireless users benefit from a fully maintained and functioning network and required wireless carriers to contribute to the NUSF. The same situation holds true for broadband. While the Commission may not be able to require broadband users to contribute to the NUSF in the short term, there is nothing that denies the Commission the ability to examine the contributions base, explore ways to broaden the base, and consider mechanisms to further stabilize the fund.

In conclusion, CenturyLink recommends the Commission move forward with modifying the NUSF contribution methodology from the current revenues based methodology to a connections based methodology. CenturyLink remains committed to assisting the Commission as it works through the many details of this important change.

Dated April 13, 2015.

Respectfully submitted,

By: _____

Jill Vinjamuri Gettman #20763

Michael Mills #19571

GETTMAN & MILLS LLP

10250 Regency Circle Suite 105

Omaha, NE 68114

(402) 320-6000

(402) 391-6500 (fax)

jgettman@gettmanmills.com

mmills@gettmanmills.com

⁸ The FCC, in its Open Internet Order, specifically precluded states from assessing broadband for USF purposes until it has determined whether broadband should be subject to the FUSF assessment. *In the Matter of Protecting and Promoting the Open Internet*, Report and Order on Remand, Declaratory Ruling, and Order, GN Docket No. 14-28, FCC 15-24, ¶ 432 & n.1477. CenturyLink encourages the Commission to remain open to the possibility of applying the NUSF surcharge to broadband services while the FCC makes its determination.

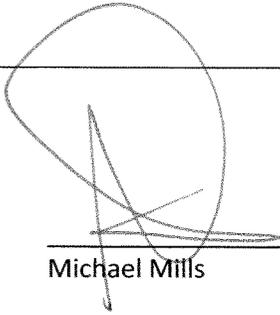
and

Norman G. Curtright
CENTURYLINK
20 E. Thomas Road
Phoenix, AZ 85012
(602) 620 2187
norm.curtright@centurylink.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 13th day of April, 2015, a true and correct copy of the foregoing was to the following:

<p>Via email and hand-delivery: Steve Meradith Executive Director And Brandy Zierott Sue Vanicek Nebraska Public Service Commission 300 The Atrium 1200 "N" Street Lincoln, NE 68509 Brandy.zierott@nebraska.gov suevanicek@nebraska.gov</p>	<p>Via email: Shana L. Knutson Legal Counsel Nebraska Public Service Commission 300 The Atrium Building 1200 "N" Street Suite 300 Lincoln, NE 68509 Shana.knutson@nebraska.gov</p>
<p>Via email: Bret Dublinske Fredrickson & Byron 309 East 5th Street #202A Des Moines, IA 50309 515-242-8904 bdublinske@fredlaw.com</p>	<p>Via email: Charles Hudak Kennard Woods Friend, Hudak & Harris, LLP 3 Ravinia Drive, Suite #1700 Atlanta GA 30346 770-399-9500 kwoods@fh2.com and Michael Moore Charter Communications, Inc. 12405 Powerscourt Drive St. Louis, MO 63131 314-543-2414 Michael.moore@charter.com</p>

<p>Via email: Deonne Bruning Deonne Bruning, P.C. LLO 2901 Bonacum Drive Lincoln, NE 68502 402-421-6405 <u>deonnebruning@neb.rr.com</u></p>	<p>Via email: Paul Schudel Woods & Aitken, LLP 301 South 13th Street, Suite #500 Lincoln, NE 68508 402-437-8500 <u>pschudel@woodsaitken.com</u></p>
<p>Via email: Troy Kirk Rembolt Ludtke Law Offices 1128 Lincoln Mall Suite #300 Lincoln, NE 68508 (402) 475-5100 <u>tkirk@remboltlawfirm.com</u></p>	<p>Via email: Nicholas Niemann Matthew Ottemann McGrath North Mullin & Kratz PC LLO 1601 Dodge Street #3700 Omaha, NE 68102 402-341-3070 <u>nniemann@mcgrathnorth.com</u> <u>mottemann@mcgrathnorth.com</u> And Via U.S. Mail: Kenneth Hardman 5151 Wisconsin Avenue NW Suite #312 Washington, DC 20016-4139 (202) 223-3772</p>
<p>Via email: Matthew Feil Windstream 1201 West Peachtree Street, Suite #610 Atlanta, GA 30309 678-420-3878 <u>Matthew.feil@windstream.com</u></p>	

By:

Michael Mills