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
In the Matter of the Nebraska Public Service Commission, on its own motion, seeking to make adjustments to the universal service fund mechanism established in NUSF-26.	)	Application No. NUSF-50
	)	ORDER ON RECONSIDERATION AND SETTING HEARING
	)	Entered: November 17, 2015

BY THE COMMISSION:

The Nebraska Public Service Commission ("Commission") enters this Order to reconsider its October 20, 2015, Order Authorizing Payments in NUSF-99 and NUSF-50. In those Orders, the Commission budgeted and released Nebraska universal service fund support amounts for price cap and rate-of-return carriers for calendar year 2016. The Commission received questions and concerns from certain price cap carriers in relation to how payments were calculated. In particular, the Commission received questions about the payment of NUSF-7 support which has historically been included in the NUSF-50 allocation. In addition, the Commission received a Motion for Rehearing from Qwest Corporation d/b/a CenturyLink QC and United Telephone Company of the West d/b/a CenturyLink ("CenturyLink") on October 30, 2015. The Commission will roll the rehearing request into the present proceeding and will hold a hearing to also take CenturyLink's arguments under advisement. As the Commission's reconsideration of NUSF-99 may impact its findings in NUSF-50, the Commission puts interested parties on notice that modifications may be made.

NUSF-99 was opened to account for changes to the federal high-cost mechanism through the Federal Communications Commission's ("FCC's") Connect America Fund ("CAF") mechanism. Through the FCC's new high-cost mechanism, price cap carriers in Nebraska would receive roughly $15 million more in federal high-cost support.[1] This support was to be tied to certain census blocks where price cap carriers would be obligated to

[1] *See In the Matter of the Nebraska Public Service Commission, on its Own Motion to Administer the Universal Service Fund High-Cost Program*, ORDER SEEKING FURTHER COMMENT AND SETTING HEARING (June 16, 2015) at 5, n.2.

make investments in broadband facilities in high-cost areas. Likewise, the Commission proposed to adopt a separate high-cost distribution mechanism for price cap carriers designed to target and track Nebraska Universal Service Fund investments in broadband infrastructure. In its NUSF-99 Order, entered on September 1, 2015, the Commission found high-cost support to price cap carriers should be frozen at the 2015 calendar year level with adjustments based upon overall NUSF remittance receipts. In determining the support levels for 2016, the Commission released those amounts in its October 20, 2015, NUSF-99 Order.

However, in light of the questions raised by the Commission staff and certain price cap carriers, the Commission hereby reconsiders its orders entered on October 20, 2015, and will develop a more robust record on the appropriate budget and allocation for price cap carriers. Accordingly, the Commission, on its own motion, reconsiders its findings in this proceeding relative to the allocation of support while it explores issues as it relates to appropriate NUSF-50 and NUSF-7 adjustments.

Issues for Comment:

In this proceeding, the Commission removed price cap carriers from the support mechanism in NUSF-50 due to the fact that the modeled support does not account for federal CAF II support. As the Commission previously found, price cap carrier high-cost support should be determined distinct and apart from rate-of-return support.

Among the issues to be considered, the following questions will be subject to further comment:

The Commission tentatively concludes that the separate budget, for price cap carriers, continues to be necessary. However, the Commission seeks comment on whether the price cap carriers should continue to be included in the NUSF-50 process, where the Commission would calculate model support for the price cap carriers using earnings to determine needed support. Adjustments would then continue to be separately budgeted, and changes in support would have an impact on and affect the other price cap carriers.

Further, the Commission seeks comment on making the following adjustments:

1. Whether it should utilize the most current NUSF-Earn Form or expected earnings to calculate high-cost support for 2016;
2. Whether to impute federal universal service support received in the year in which it is received;
3. Whether to adjust earnings for competitive losses;
4. Whether to eliminate the access adder; and/or
5. Whether to impute the funding benchmark of $52.50 as used in the FCC price cap model ("CACM") instead of the loop revenue benchmark.

In addition to, or in the alternative, the Commission questions whether it should adjust NUSF-7 support for any CAF II support received by price cap carriers. Absent the adjustment would this result in over-recovery of support in one or more support areas?

Finally, the Commission will provide CenturyLink an opportunity to provide and present information in support of its Motion for Rehearing in the comment cycle and hearing set forth below.

The Commission invites interested parties to comment on the foregoing issues and interested parties may comment on any other issue germane to this proceeding.

Interim Budget

Although the Commission reconsiders its October 20, 2015, Orders on its own motion, the Commission does not believe it will have a final order releasing available 2016 high-cost support before the end of January. Accordingly, the budgeted support amounts declared available in the Commission's October 20, 2015, Orders will be considered as the interim support available for distribution and will be subject to change based upon further findings in this proceeding. The Commission will true-up the interim payments consistent with its findings.

Comment Cycle:

Interested parties in the docket will have until **December 17, 2015,** to provide comments responsive to this Order. Commenters should file one (1) original and five (5) paper copies along with one (1) electronic copy of their comments in Word or PDF format submitted to Sue.Vanicek@nebraska.gov and Brandy.Zierott@nebraska.gov.

Pre-Filed Testimony:

Pre-filed testimony is due on or before **January 12, 2016,** for witnesses planning to testify at the hearing. Accompanying exhibits shall be filed with the pre-filed testimony due on or before January 12, 2016. Testimony and exhibits may be served electronically on other interested parties of record and on the Commission at Sue.Vanicek@nebraska.gov and Brandy.Zierott@nebraska.gov. An original and five (5) paper copies of testimony must also be filed with the Commission.

Hearing:

A Hearing will be held on **January 26, 2016**, at 1:30 p.m. in the Commission Hearing Room, 300 The Atrium Building, 1200 N Street, Lincoln, Nebraska 68508. If auxiliary aids or reasonable accommodations are needed for attendance at the meeting, please call the Commission at (402) 471-3101. For people with hearing/speech impairments, please call the Commission at (402) 471-0213 (TDD) or the Nebraska Relay System at (800) 833-7352 (TDD) or (800) 833-0920 (Voice). Advance notice of at least seven days is needed when requesting an interpreter.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that its October 20, 2015, Orders in the above-captioned proceedings, be and it are hereby, reconsidered as provided herein.

IT IS FURTHER ORDERED that payments allocated are considered interim and subject to true-up following further Commission investigation.

IT IS FURTHER ORDERED comments may be filed by interested parties in the manner prescribed above.

IT IS FURTHER ORDERED that pre-filed testimony and exhibits are due on or before **January 12, 2016.**

IT IS FURTHER ORDERED that a Hearing will be held on **January 26, 2016,** at 1:30 p.m. in the Commission Hearing Room, 300 The Atrium Building, 1200 N Street, Lincoln, Nebraska 68508.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska this 17th day of November, 2015.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Deputy Director

//s//Frank E. Landis
//s//Gerald L. Vap