

# SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

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## BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission,     ) Application No. NUSF-4  
on its own motion, seeking to     )  
determine the level of the fund     )  
necessary to carry out the     ) ORDER SETTING SURCHARGE  
Nebraska Telecommunications     )  
Universal Service Fund Act     )  
effective fiscal year beginning     )  
July 1, 2020.     ) Entered: June 2, 2020

### APPEARANCES:

For the Rural Independent Companies:

Paul Schudel  
Woods & Aitken, LLP  
301 S. 13<sup>th</sup> Street  
Suite 500  
Lincoln, Nebraska 68508

For the Commission:

Shana Knutson  
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1200 N Street  
Lincoln, Nebraska 68508

### BY THE COMMISSION:

On April 15, 1999, the Commission, on its own motion, opened this docket to determine the level of the fund necessary to carry out the Nebraska Telecommunication Universal Service Fund Act. Neb. Rev. Stat. § 86-328 (2008) states, in pertinent part, that "Annually, the Commission shall hold a public hearing to determine the level of the fund necessary to carry out the Nebraska Universal Service Fund Act." Notice of this hearing appeared in the Lincoln Journal Star, Lincoln, Nebraska, and the Omaha World Herald, Omaha, Nebraska on May 5 and May 12, 2020, and in The Daily Record, on May 5 and May 13, 2020 pursuant to § 86-328. A public hearing on this matter was held in the Commission Hearing Room, Lincoln, Nebraska, on May 20, 2020. Appearances were entered as indicated above.

On April 29, 2020, the NUSF Advisory Board met to discuss the NUSF surcharge. After deliberation, the NUSF Advisory Board voted to recommend to the Commission that the surcharge level be

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maintained at \$1.75 per residential connection and 6.95 percent on business revenues.

Mr. Cullen Robbins, Director of the Nebraska Universal Service Fund (NUSF) Department as well as the Communications Department, testified for the staff. He provided the Commission with an overview of the status of the fund, potential options regarding the NUSF surcharge, and a recommendation with respect to the surcharge for the 2020/2021 fiscal year. Mr. Robbins testified the balance of the fund was approximately \$84.5 million, and that balance includes funds that have been awarded through grant programs but not expended because the Commission only disburses those funds once the investment has been made and documentation has been provided to account for those expenditures. The funds already committed total approximately \$73 million leaving about \$11.5 million to support the Commission's low-income (NTAP) program, the Telehealth Program, the NUSF-117 E-RATE Special Construction program, administrative expenses and operating reserve. Mr. Robbins testified that because the Commission has transitioned much of the support to reimbursement for deployment of facilities, the fund balance has continued to grow as carriers work on projects that will be reimbursed. Mr. Robbins testified that the Commission has been receiving an increased number of reimbursement requests from carriers that have completed projects. He predicted that the fund balance will eventually decline as the Commission expends support for completed projects.

Mr. Robbins testified that the Commission has now completed a full year of collecting remittances through its new contribution mechanism. From April 2019 through March 2020, remittances totaled approximately \$47.1 million, which is within the predicted range of 46 to 54 million that the Commission had anticipated through the NUSF-111 process. Mr. Robbins stated the remittances into the fund have been stable month to month and the Commission is no longer seeing the steep declines and unpredictability that characterized the prior revenues-based methodology.

Mr. Robbins further testified that remittances for residential services are collected on a per connection basis and business services remained on a revenues basis. The surcharges determined through the NUSF-100 and NUSF-111 processes were initially set at \$1.75 per connection for residential services and 6.95 percent of revenues for business services. Mr. Robbins

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recommended that the Commission maintain the current surcharge level at \$1.75/connection for residential services, and 6.95 percent of revenues for business services for the next fiscal year. Mr. Robbins stated that the NUSF Department has been analyzing information about business connections and he anticipated that in the near future, the Commission can initiate a proceeding to formally look at whether business services should move to a connections-based methodology.

Mr. Pat McElroy, Chief Executive Officer and general manager at Northeast Nebraska Telephone Company, testified for the Rural Independent Companies (RIC). Mr. McElroy testified that RIC recommends for the foreseeable future, the current surcharge level of \$1.75 per connection for residential services and 6.95 percent revenues for business services be continued. He stated that the reformed contribution mechanism appears to have stabilized NUSF contributions. However, the Commission's objective may be further advanced by the Commission opening a proceeding to consider the advisability of implementing a connections-based methodology for business services. RIC recommended a total fund size of at least \$51 million for the upcoming fiscal year. Mr. McElroy stated that a \$51 million budget would be consistent with the average annual expenditures for all NUSF programs from 2008 through 2017. He further stated the recommended \$51 million budget is reasonable based on RIC's position that the stabilization of NUSF remittances has been achieved due to the Commission's reforms in NUSF-111.

Mr. McElroy further recommended the Commission transfer a portion of the uncommitted NUSF balance to the high-cost program. Specifically, Mr. McElroy stated, RIC suggests to the Commission that \$5 million of the uncommitted NUSF balance be distributed to the rate-of-return carriers for additional broadband deployment support and cost recovery. He stated that additional funding would address the critical need for expanded broadband availability that is being confirmed daily during this COVID-19 crisis.

### F I N D I N G S     A N D     C O N C L U S I O N S

The Commission has considered the testimony and recommendations provided in this proceeding. We find, based upon information provided by the Department, the NUSF Advisory Board, and the hearing testimony, that the surcharge be maintained at the current level of \$1.75 per connection for

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residential services and 6.95 percent of revenues for business services. Accordingly, we find the NUSF surcharge should continue to be set at \$1.75 per connection for residential services and 6.95 percent of revenues for business services for the fiscal year of operations beginning July 1, 2020. In addition, the Commission agrees that it should expeditiously open a proceeding to consider the advisability of implementing a connections-based methodology for business services. Finally, the Commission declines to transfer any additional support to high-cost programs at this time. The Commission finds that the rate-of-return high-cost budget should continue to be set at current levels. The Commission will determine the overall high-cost budget for both rate-of-return and price cap carriers, prior to the beginning of the next calendar year.

## O R D E R

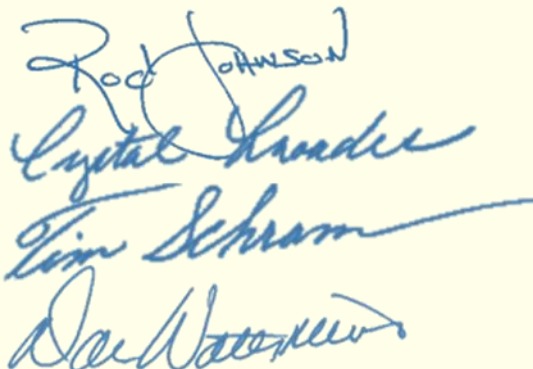
IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the surcharges be maintained at \$1.75 per connection for residential services and 6.95 percent of revenues for business services to fund the Nebraska Universal Service Fund beginning July 1, 2020, and extended to June 30, 2021, unless otherwise ordered by the Commission.

IT IS FURTHER ORDERED that all affected telecommunications companies are hereby required to collect said surcharge and remit it to the Commission as set forth herein and in Commission Universal Service Rules and Regulations and Commission orders.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 2nd day of June, 2020.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:





Chair

ATTEST:

  
Executive Director