

# SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

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## BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska                    ) Application No. NUSF-119/  
Public Service Commission, on its            )                                   PI-233  
own motion, to consider revisions        )  
to the contribution methodology        ) ORDER OPENING DOCKET AND  
and determine a rate design for        ) SEEKING COMMENT  
services currently subject to a        )  
revenues-based surcharge.                ) Entered: June 30, 2020

BY THE COMMISSION:

### **Background**

In NUSF-100/PI-193,<sup>1</sup> the Commission determined that it was necessary to reform the NUSF contribution methodology in order to stabilize the Nebraska Universal Service Fund (NUSF) program. After several rounds of comments, briefs, testimony and post-hearing comments, the Commission determined the best way to stabilize the NUSF was to move to a connections-based mechanism.

On December 19, 2017, in NUSF-111/PI-211 (NUSF-111) the Commission opened a proceeding to determine the appropriate rate design, data sources and implementation schedule. On August 7, 2018, the Commission adopted a connections-based surcharge for residential service. The connections-based mechanism for residential service was implemented on April 1, 2019.

In its August 7, 2018 Order, the Commission found a revenues-based surcharge should continue to apply to business and government, toll, operator, local private line, special access, prepaid wireless, and radio paging services at the surcharge rate of 6.95 percent. The Commission further found that it should collect data relative to business service for a period of at least one year prior to determining how a connections-based methodology could be applied to business and other services.

The Commission opens this proceeding to determine whether to extend a connections-based surcharge to business and government services, as well as other services currently subject to a revenues-based surcharge; and, if adopted, how a connections-based surcharge should be applied. Nothing in this proceeding is intended

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<sup>1</sup> See NUSF-100/PI-193, *In the Matter of the Nebraska Public Service Commission, on its own Motion, to Consider Revisions to the Universal Service Fund Contribution Methodology*, ORDER (October 31, 2017) ("NUSF-100").

## SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

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Application No. NUSF-119/PI-233

Page 2

to alter or amend the Commission's prior findings in NUSF-100 or NUSF-111.

### ***Issues for Comment***

A. Whether to Adopt a Connections-Based Mechanism for Business and Government Lines Currently Subject to the Revenues-Based Mechanism.

- i. We first seek comment on whether the Commission should adopt and implement a connections-based contribution framework for business and government service. If answering in the affirmative, please explain the rationale. Interested parties are also invited to file proposed rate design models for the Commission's consideration.
- ii. If interested parties are of the opinion that the Commission should keep business and government service on the existing revenues-based contribution mechanism we invite those commenters to explain the justification for maintaining the current revenues-based mechanism for those services.
- iii. If the Commission were to adopt a connections-based contribution framework for business and government services, the Commission seeks comment on how the term "connection" should be defined? Should the Commission utilize the same definition it adopted in NUSF-111 relative to residential connections? If not, why not?

B. Whether the Relative Contribution Percentages between Residential Versus Business Services Should be Considered and Adjusted.

- i. Currently, residential-based contributions make up roughly 70 percent of the total NUSF remittances and business remittances make up roughly 30 percent of the total NUSF remittances. Historically, remittances were estimated to be approximately 60 percent residential and 40 percent business. Should the contribution mechanism be structured so that the remittance percentage is more equitably divided between residential and business services? Why or why not?

## SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

---

Application No. NUSF-119/PI-233

Page 3

- ii. Another key question is how the Commission should approach the relative distribution of the contribution burden between multi-line business and enterprise users versus single line business and residential users, as well as among different types of enterprise users and consumers. Should there be an increased connections-based assessment relative to business lines which takes into account capacity or usage? Is a 60/40 split a fair distribution of the contribution burden in light of actual usage value of the network? Are there modifications that could be made to a connections-based methodology to make the level of assessment more fair to residential or low-volume users compared to multi-line business or enterprise customers? How should the Commission measure this? Is there publicly available data the Commission should use? If so, how often should this data be re-evaluated?
- iii. Should there be a separate per connection surcharge amount for residential versus business service? Should they be set at the same amount?
- iv. In NUSF-100, for example, CenturyLink stated "scaling the assessment on each connection or number in a way that equitably reflects the end user's burden on the network can be more complex than under a revenues-based approach."<sup>2</sup> To overcome this challenge CenturyLink suggested the Commission may have to define classes of connections based upon factors.<sup>3</sup> The Commission proposed devising a mechanism to allocate contribution obligations for business and residential related to the burden on the network or the value of the connection. Should that approach be considered relative to multi-line business connections? Why or why not? If so, what data is available to support such an approach?
- v. Should the Commission as an alternative to revising the contribution mechanism for business and government services consider raising the surcharge percentage to increase the amount of contributions compared to

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<sup>2</sup> Comments of CenturyLink (February 13, 2015) at 6.

<sup>3</sup> See *id.*

## SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

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Application No. NUSF-119/PI-233

Page 4

residential contributions and to meet the fund demand?  
Please explain.

### C. How to Account for the Wide Variations in Business and Government Service Offerings.

- i. Based on the data collected thus far, we know there is a wide variation among business service offerings. Should the Commission structure connections-based remittance tiers which would vary based upon the type of offering? If so, how should the Commission account for the varying business sizes and diverse product offerings?
- ii. Should the Commission adopt pure connections approach where the type of offering is not relevant?
- iii. Based on the how the services and packages offered by carriers are structured for business customers, some businesses may contribute a significant amount of revenue for a small number of connections. A shift to a connections-based surcharge for business service may result in some business users paying less in NUSF remittances than they do currently while others may be remitting a larger amount. It is apparent from the data collected that there are wide variances of business service products and offerings. Take, for example, a scenario where a carrier remits \$40,000 monthly for approximately 200 connections. Alternatively, certain businesses or government entities could have several thousand connections but would be remitting more than what they otherwise would using a flat "per unit" charge. Moving to a pure connections-based contribution mechanism may benefit some business users and disadvantage others. Should the Commission take this into account? Should the Commission consider the value of the service or the capacity of the connection? How should the Commission account for the differences in the way that providers package and provide services to business customers?
- iv. Should the Commission consider a tiered approach based on the type of service where higher capacity would be assessed at a higher level?

## SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

---

Application No. NUSF-119/PI-233

Page 5

- v. Should residential and single-line businesses be assessed at one flat rate? Should multi-line business customers be assessed at a higher rate?

D. Whether to Make any Exceptions to the Contribution Requirement for Customers Tied to Long-Term Contracts or for Services Supported by Federal E-Rate Programs.

- i. In addition, the Commission seeks comment on how it should address long-term contracts for services which may be more common for business and government services. For example, services provided through the E-Rate program for schools and libraries are often subject to a four-year agreement term. A change in the contribution mechanism could impact the surcharge obligations under those agreements and have a significant impact on those customers. How should the Commission address these situations?

E. Whether to Adopt a Cap on the Number of Connections Carriers Are Required to Contribute for on a Per-Entity Basis.

- i. In our NUSF-111 proceeding, there was some discussion about implementing a cap on the number of connections counted for contribution purposes. In the telecommunications relay service (TRS) program, the surcharge is capped at 100 access lines. Should the Commission consider a cap for NUSF contribution purposes? If so, at what level? If not, please explain. Should the Commission consider a cap on the number of business connections for each entity?

F. Whether to Modify the Contribution Mechanism as it Relates to Private Line and Toll Services.

- i. Currently, private line and toll service revenues make up approximately \$3 million in remittances annually. Should a per line surcharge replace all revenues-based remittances including activation, toll, private line, and paging? Are there some services that should continue to be subject to a revenue-based surcharge? If so which services?

## SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

---

Application No. NUSF-119/PI-233

Page 6

- ii. If some services are left on a revenues-based surcharge, would we run the risk of "double assessing" in some cases?
- iii. If the Commission were to move to a pure connections-based mechanism for all services does this mean the fund would forego remittances for toll revenues completely?
- iv. Would this be consistent with the requirements in the NUSF Act? Please explain.

### G. Whether to Move Prepaid Wireless Services to a Connections-Based Surcharge.

- i. Currently, prepaid wireless service is assessed on a revenues basis and remittances are provided to the Nebraska Department of Revenue. The statute states the remittances should be based on the percentage obtained by multiplying (i) the Nebraska Telecommunications Universal Service Fund surcharge percentage rate set by the Public Service Commission by (ii) one minus the Federal Communications Commission safe harbor percentage for determining the interstate portion of a fixed monthly wireless charge. Does this statutory language mean the Commission must leave prepaid wireless service on a revenues-based surcharge?
- ii. If not, should the Commission revise the contribution mechanism for pre-paid wireless service?

### ***Comment Deadline***

The Commission requests that interested parties provide comments responsive to the issues raised above, on or before **July 31, 2020**. Reply Comments may be filed on or before **August 21, 2020**. Commenters should file one (1) original and five (5) paper copies with the Commission. Electronic copies should be sent to [psc.nusf-filings@nebraska.gov](mailto:psc.nusf-filings@nebraska.gov).

# SECRETARY'S RECORD, PUBLIC SERVICE COMMISSION

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Application No. NUSF-119/PI-233

Page 7





## O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the above-captioned proceeding be and it is hereby open for public comment.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 30th day of June, 2020.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:



Chair

ATTEST:



Executive Director