

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska)	Application No. NUSF-100
Public Service Commission, on)	PI-193
its own motion, to consider)	
revisions to the universal)	ORDER AND ORDER SEEKING
service fund contribution)	FURTHER COMMENTS AND SETTING
methodology.)	HEARING
)	
)	Entered: February 22, 2017

BY THE COMMISSION:

I. Background

The Nebraska Public Service Commission (the "Commission") opened the above-captioned proceeding to consider revisions to the contribution mechanism of the Nebraska Universal Service Fund ("NUSF") on November 13, 2014. Notice of this proceeding appeared in The Daily Record, Omaha, Nebraska on November 17, 2014. Over the past two years, the Commission has sought comments on various contribution reform options.

The contribution mechanism is the system by which the Commission's universal service programs are funded. Significant changes in telecommunications market have taken place since 1999 when the Commission's NUSF contribution mechanism was established. The Commission noted that the assessable base for NUSF contributions has eroded as customers continue to migrate to services not subject to NUSF surcharge remittance requirements. Competitive distortions permitted by the federal USF mechanism have also resulted in differing contribution obligations largely driven by the bundling of services subject to NUSF assessments with services which are not subject to assessment. In addition, due to the strain on the federal universal service mechanism to generate surcharge revenues to meet all federal USF obligations, safe harbor allocations have resulted in more and more surcharge revenues being captured by federal rather than by state support mechanisms. Since 2005, NUSF remittances have declined by more than 34%. Current forecasts estimate that remittances will decline by 16% between 2016 and 2017 and then by 23% in 2018.

The Federal Communications Commission ("FCC") has been looking at ways to stabilize the federal contribution mechanism since 2002.¹ After adopting sweeping universal service fund

¹ See generally, *Federal-State Joint Board on Universal Service et al.*, CC Docket No. 96-45, Further Notice of Proposed Rulemaking and Report and Order, 17 FCC Rcd 3752 (2002) ("2002 Contribution Order").

reforms in 2011,² the FCC again released several contribution reform proposals for public comment in 2012.³ On August 7, 2014, the FCC referred contribution reform to the Federal-State Joint Board on Universal Service for consideration.⁴

Like the FCC, this Commission solicited comments on various contribution reform options including a revised revenues-based assessment, a connections-based assessment, a numbers-based assessment and a hybrid or combination of revenues and connections. A majority of commenters supported the Commission's efforts to reform the contribution mechanism. Overall, commenters in favor of change supported the adoption of a connections-based or hybrid mechanism.

II. Comments Responsive to the Commission's November Order.

CenturyLink recommended defining a connection as any point the subscriber connects to the communications network enabling wireline and wireless local exchange telephone service, interconnected voice over internet protocol (VoIP) service and any other retail telecommunications end-user service. Each residential connection should be included in the assessment base, and each business connection should be likewise counted up to a "connection cap" that is calculated by each provider.

CTIA recommended the Commission adopt a point-of-sale methodology for collecting the NUSF assessment from prepaid wireless service.⁵ In addition, the CTIA recommended the Commission wait and allow parties to consider the potential impact of the Federal-State Joint Board's Recommendations to the FCC.⁶

² See *Connect America Fund et al.*, WC Docket No. 10-90 et al. Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) ("USF/ICC Transformation Order").

³ See *In the Matter of Universal Service Contribution Methodology; A National Broadband Plan for our Future*, WC Docket No. 06-122, GN Docket No. 09-51, Further Notice of Proposed Rulemaking, 27 FCC Rcd 5357 (April 13, 2012) ("2012 Contributions FNPRM").

⁴ See *In the Matter of the Federal State Joint Board on Universal Service et al.*, WC Docket No. 96-45 et al., Order (August 7, 2014) ("Referral Order").

⁵ See Reply Comments of CTIA-The Wireless Association in Response to the Commission's November 13, 2014 Order Opening Docket and Seeking Comment (April 13, 2015) at 1 ("CTIA April 2015 Comments").

⁶ See *id.*, at 2.

Charter stated Nebraska should not get out in front of the FCC's reform efforts. It stated changing the contribution methodology at this time would be difficult and costly.⁷

Cox did not dispute that a change to the contribution methodology may be necessary in order to continue accomplishing the goals and objectives of the NUSF.⁸ However, Cox suggested an investigatory docket be opened to determine whether the receipt of Connect America Funds would lessen the need for future NUSF support, therefore resulting in a smaller-sized NUSF going forward.⁹ Cox suggested holding this docket in abeyance due to the ongoing review of federal universal service fund contributions.¹⁰ In its reply comments, Cox suggested the Commission seek an additional round of comments in response to the Federal-State Joint Board Recommendation after its release.¹¹

RIC supported the Commission's efforts to reform the contribution mechanism. Specifically, RIC supported a connections-based NUSF contribution framework. As an interim step, RIC stated, it may be appropriate to migrate the current NUSF contribution regime to a connections-based NUSF contribution system requiring contributions be assessed on any "connection" that requires a working Nebraska-specific telephone number to be assigned in order to allow routing to and from the Public Switched Network. ("PSTN").¹² In its reply comments RIC stated overall commenters were supportive of a connections-based mechanism. As a result RIC requested the Commission move forward with an investigation of specific details regarding the implementation of a connections-based system.¹³

⁷ See Initial Comments of Charter FiberLink-Nebraska, LLC (February 13, 2015) at 3 ("Charter February 2015 Comments").

⁸ See Comments of Cox Nebraska Telcom, LLC (February 13, 2015) at 3 ("Cox February 2015 Comments").

⁹ See *id.*

¹⁰ See *id.*

¹¹ Comments of Cox Nebraska Telcom, LLC (April 13, 2015) at 2 ("Cox April 2015 Comments").

¹² Comments of the Rural Independent Companies (February 13, 2015) at 4 ("RIC February 2015 Comments").

¹³ See Comments of the Rural Independent Companies (April 13, 2015) at 3 ("RIC April 2015 Comments").

RTCN also supported reform efforts saying a solution needs to be implemented at this time. RTCN suggested the Commission consider adopting a hybrid approach to NUSF contributions that involves a combination of both a connections-based component and the continuance of a revenues-based component at a lower rate.¹⁴ RTCN suggested that, on an annual basis, the Commission first determine an NUSF target balance necessary to fund existing programs at levels that are sufficient to carry out the universal service policies set forth in the NUSF Act.¹⁵ Once a target balance has been determined, the Commission would then set a revenues-based surcharge rate and a connections-based assessment amount, with the objective that each of these two components would provide funds making up approximately one-half of the target balance each year. In its reply comments, RTCN opposed the suggestion that the Commission should suspend this docket pending action by the Federal-State Joint Board on Universal Service and/or the FCC.¹⁶

Teleservices agreed with the Commission that a connections-based contribution mechanism, properly structured, would result in a more stable and predictable universal service support mechanism. Teleservices also agreed that the Commission should use data reported on FCC 477 as the foundation for the assessment.¹⁷ Teleservices further recommended that the connection-based assessment should vary based upon the size and type of connection, and should not be a flat-rated charge.¹⁸ Finally, Teleservices opposed a numbers based assessment mechanism and stated it should be unequivocally rejected by the Commission as a reform option.¹⁹

Windstream also supported the Commission's reform efforts. Windstream recommended the Commission consider the following principles: stability, competitive and technological neutrality,

¹⁴ See Comments of the Rural Telecommunications Coalition of Nebraska (February 13, 2015) at 3 ("RTCN February 2015 Comments").

¹⁵ See *id.*

¹⁶ See Reply Comments of the Rural Telecommunications Coalition of Nebraska (April 13, 2015) at 1 ("RTCN April 2015 Comments").

¹⁷ See Association of Teleservices International, Inc., Response to Order Opening Docket and Seeking Comments (February 13, 2015) at 5 ("Teleservices Comments").

¹⁸ Teleservices Comments at 6.

¹⁹ *Id.*

consumer impact and administrative efficiency.²⁰ In reply comments, Windstream disagreed with Cox's recommendation to first investigate the size of the fund needed against federal support levels.²¹ Windstream also expressed concern that a hybrid contribution methodology may be difficult to administer.²²

III. Comments Responsive to the Commission's April Order

On April 5, 2016, the Commission solicited additional comments on a number of other issues including its proposed strategic plan, definitions, adjustments, data collection, distinctions between residential and business services, distinctions between wireline and wireless services, special access or broadband data services (BDS), and the transition period assuming a change is implemented.

Comments were filed by Citizens Telecommunications Company of Nebraska d/b/a Frontier Communications of Nebraska (Frontier); Cox Nebraska Telecom LLC and Charter Fiberlink-Nebraska, LLC, CTIA-The Wireless Association, NE Colorado Cellular Inc., d/b/a Viaero Wireless, the Nebraska Rural Independent Companies (RIC), Qwest Corporation d/b/a CenturyLink QC and United Telephone Company of the West d/b/a CenturyLink, the Rural Telecommunications Coalition of Nebraska (RTCN), and Windstream Nebraska, Inc.

A. Strategic Plan

The Commission sought comment on a strategic plan moving forward believing that a specific roadmap would assist in the development of a predictable NUSF mechanism. As we considered the overall vision of where universal service should evolve, the Commission sought comment on the following issues:

- o *Ubiquitous Broadband*
- o *Preserve and Advance Affordable Voice Service*
- o *Deployment of Fiber-based Network Everywhere*

²⁰ See Comments of Windstream Nebraska, Inc. (February 13, 2015) at 1 ("Windstream February 2015 Comments").

²¹ See Reply Comments of Windstream Nebraska, Inc. (April 13, 2015) at 2 ("Windstream April 2015 Comments").

²² See Windstream April 2015 Comments at 3.

- o Accountability
- o Stability of the Program
- o Timeframe for Implementation

Frontier noted that while fiber to every Nebraskan is a wonderful aspirational goal, however from a practical perspective, the use of non-fiber technologies will play a very large part in the provision of broadband for the foreseeable future.²³ Frontier agreed with the Commission that there should be tracking and reporting requirements in place and agreed with the Commission's goal of accountability.²⁴ However, Frontier asked the Commission to include not only investments but also the need for support generally for ongoing maintenance costs of the services provided as well.²⁵

CTIA recommended the strategic plan be considered and developed in its own docket.²⁶ CTIA further stated the Commission's reforms should be technologically and competitively neutral, cost effective for consumers and limited in the bounds of the Commission's jurisdiction.²⁷ A plan to provide ubiquitous fiber deployment is not technologically and competitively neutral according to CTIA.²⁸

The RIC commenters supported the Commission's goals.²⁹ RIC strongly supported the Commission's objective to promote universal broadband service. While RIC supported the Commission's objective to promote deployment of fiber-based networks everywhere, RIC stated the Commission would need to (a) size the costs to complete this network build-out, and (b) determine the feasibility of funding these costs. RIC further recommended the Commission adopt broadband speeds consistent

²³ See Comments of Citizens Telecommunications Company of Nebraska d/b/a Frontier Communications of Nebraska (June 1, 2016) at 1 ("Frontier 2016 Comments").

²⁴ Frontier 2016 Comments at 2.

²⁵ *Id.*

²⁶ See Comments of CTIA in Response to the Commission's April 5, 2016 Order Seeking Further Comments at 2 (June 6, 2016) ("CTIA 2016 Comments").

²⁷ CTIA Comments at 3.

²⁸ CTIA Comments at 4.

²⁹ See Comments of the Rural Independent Companies in Response to Order Seeking Further Comments (June 6, 2016) ("RIC 2016 Comments").

with those established by the FCC in the December 2014 and March 2016 Connect America Orders. In addition, RIC urged the Commission to adopt accountability standards in coordination and in conformity with reporting requirements implemented by the FCC where possible. Such coordination would minimize administrative burdens both on the Commission and ETCs. RIC recommended a connections-based mechanism to achieve the goal of stability for the program. RIC recommended the next logical step is sizing the fund.

CenturyLink encouraged the Commission to hold workshops where each of the proposed goals could be discussed and the Commission can take feedback from interested parties. While CenturyLink supported the goal of ubiquitous broadband it cautioned the Commission that ensuring ubiquitous broadband will come at a significant cost.³⁰ CenturyLink recommended the Commission keep an open mind regarding its proposed goal of ubiquitous broadband.³¹ CenturyLink further commented that it does not believe any entity receiving NUSF support has used that funding for purposes other than for which it was intended.³² While it supported minimal reporting, CenturyLink is concerned about crossing the line between absolutely necessary reporting and the diminishing returns received from requiring very detailed data that creates heavy regulatory burdens on carriers.³³ CenturyLink supported the Commission's decision to take a measured and methodical approach to the changes but is concerned about the Commission's decision to reform the contribution methodology prior to sizing the fund.³⁴

RTCN stated its primary interest in this reform proceeding is the re-establishment of a solid foundation for an adequate and stable source of universal service funding.³⁵ RTCN requests that the implementation strategy for any new contribution methodology address the threat of a legal challenge and potential rejection by the courts on appeal.³⁶

³⁰ See CenturyLink 2016 Comments at 2.

³¹ *Id.*, at 3.

³² *Id.*, at 5.

³³ *Id.*

³⁴ *Id.*, at 6.

³⁵ See Comments of the Rural Telecommunications Coalition of Nebraska (June 6, 2016) at 3 ("RTCN 2016 Comments").

³⁶ *Id.*

Viaero generally supported the Commission's goal of developing a strategic plan to modernize and reform the contribution mechanism.³⁷

Cox and Charter did not provide comments in response to the Commission's strategic plan questions.

B. Definitions, Adjustments, Data, and Transition

In its April 5, 2016 Order, the Commission found a connections-based contribution mechanism made the most sense in the current environment. The Commission found that the number of connections has remained stable while assessable revenues have been declining.³⁸ In addition, as the commenters acknowledged, using a connections-based approach will increase stability and predictability in the NUSF. Finally, a connections-based methodology would be easier in many respects to administer. Carriers would not be required to allocate revenues among jurisdictions or between types of services. Because a connections-based contribution methodology is less dependent upon jurisdictional considerations and less likely to be subject to be dependent upon the individualized packaging or marketing of the service to the end-user, a connections-based methodology may mitigate the number of complex issues the Commission currently encounters. The Commission then sought further comments on how to define a "connection" and whether any factors or adjustments should be applied.

RTCN continued to recommend a hybrid mechanism which may, at least for an interim period, be the best option.³⁹ RTCN would also support the adoption of a connections-based contribution approach to the extent that such model and the implementation is structured in a way to address RTCN's two concerns, namely that the methodology address possible legal challenge by having the implementation date beyond the relevant appeal period, and that it be structured to avoid the loss of any current sources of funding.⁴⁰

³⁷ See Comments of NE Colorado Cellular, Inc. d/b/a Viaero Wireless (June 6, 2016) at 1 ("Viaero 2016 Comments").

³⁸ See *In The Matter Of The Nebraska Public Service Commission, On Its Own Motion, To Consider Revisions To The Universal Service Fund Contribution Methodology*, Order Seeking Further Comments (April 5, 2016) citing the 2012 Contributions FNPRM ¶ 247.

³⁹ See RTCN 2016 Comments at 4.

⁴⁰ See RTCN 2016 Comments at 3.

i. Defining a "Connection"

CenturyLink commented that a service should be assessable when the service is capable of touching the public switched telephone network ("PSTN").⁴¹ Right now, the PSTN routes most traffic by telephone number, so using working telephone numbers would be an acceptable way of determining an assessable service. However, as technology moves towards internet protocol, using telephone numbers to define a connection or assessable service may not cover all potential connections or services⁴². In addition, according to CenturyLink, as special access customers pay into the NUSF, but do not have telephone numbers, the Commission may have to consider retaining the current revenues based methodology for these customers.⁴³

Viaero stated that each type of definitional term raises a host of related issues. For example, "wireless channel" according to Viaero has no definitive meaning.⁴⁴ Similarly, an assessable connection which relies on numbers would also by definition, exclude from assessment all services that do not rely on numbers.⁴⁵

CTIA also echoed the concern voiced by Viaero that "wireless channel" is not itself defined and has no commonly understood definition.⁴⁶ Similarly CTIA stated that the definition of "assessable service" was not sufficiently clear.⁴⁷

RIC agreed with the Commission's proposed definition of connection stating it is identical to the definition of "connection" that the FCC proposed for comment in its 2012 Contributions Reform Further Notice of Proposed Rulemaking.⁴⁸ In

⁴¹ CenturyLink 2016 Comments at 7.

⁴² *Id.*

⁴³ *Id.*

⁴⁴ See Viaero 2016 Comments at 4.

⁴⁵ *Id.*

⁴⁶ See CTIA 2016 Comments at 12.

⁴⁷ *Id.*

⁴⁸ See RIC 2016 Comments at 10

addition, this definition builds on the definition used by the FCC in its Form 477 data collection. RIC proposed a slight modification to the Commission's definition of "assessable service." RIC proposed the following language: "A service which allows a connection to other networks through interworking routing as a means to provide telecommunications."⁴⁹

RIC proposed the Commission take steps to develop intrastate percentage usage factors. First, RIC suggested the issuance by the Commission of a data request to all carriers that are currently contributing to the NUSF to provide a baseline to assist the Commission to establish the number of connections of each service provider in the state.⁵⁰ To establish a baseline for intrastate usage for assessable services, RIC recommended utilization of the reciprocals of the existing FCC prescribed "safe harbors" for cellular service, Voice over Internet Protocol (VoIP) and paging companies.⁵¹ Further, RIC proposes that IXC connections would be based upon an IXC's reported intrastate/interstate revenue, which IXCs already report through FCC Form 499-A filings.⁵² Finally, RIC suggested that the Commission retain the current revenues-based assessment mechanism for business services and for special access service.⁵³ RIC stated these services are already included in NUSF surcharge assessment and provided several policy reasons why these services should continue to be assessed.⁵⁴

Frontier agreed that defining "connection" and "assessable service" as proposed may be acceptable.⁵⁵ Frontier provided specific examples of what a "connection" would include.⁵⁶ In addition, Frontier agreed that making use of existing information from the FCC Form 477 data would streamline the reporting and administrative burdens of managing the NUSF.⁵⁷

⁴⁹ *Id.*

⁵⁰ RIC 2016 Comments at 14.

⁵¹ See *id.*

⁵² See RIC 2016 Comments at 15.

⁵³ See *id.*, at 16.

⁵⁴ *Id.*

⁵⁵ See Frontier 2016 Comments at 2-3.

⁵⁶ See *id.*

⁵⁷ *Id.*, at 3.

Frontier recommended that the Commission strive for simplicity and clarity. Frontier recommended against a hybrid contribution mechanism.⁵⁸

ii. Determining Adjustments

With respect to adjustments, CenturyLink recommended that business customers continue to pay their fair share of the NUSF costs.⁵⁹ Thus, CenturyLink recommended the surcharge be adjusted or scaled depending on the type or class of service that is being provided.⁶⁰ To determine the appropriate surcharge for each class of service, CenturyLink recommended the Commission review the current rates for each class of service.⁶¹ The Commission should exercise caution, however to ensure that large business customers and subscribers of very large connections do not end up with significantly increased NUSF surcharges.⁶²

CTIA voiced concerns with the issues raised by the Commission relative to potential adjustments. CTIA supported the goal of developing a contribution factor so that the type of technology used does not significantly affect the distribution of contribution obligations among the other sections of consumer users.⁶³ CTIA suggested the Commission provide more detail as to how the Commission would develop a factor for wireless contributions.⁶⁴

RIC recognized the Commission may in its discretion determine that there is a need for some per connection assessment reduction for second and additional connections per household.⁶⁵ However, a similar set of considerations may also apply to other multi-line wireless end users.⁶⁶ RIC agreed the

⁵⁸ *Id.*

⁵⁹ CenturyLink 2016 Comments at 8.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Id.*

⁶³ See CTIA 2016 Comments at 13.

⁶⁴ *Id.*

⁶⁵ RIC 2016 Comments at 19.

⁶⁶ *Id.*

Commission should continue to utilize the Mobile Telecommunications Sourcing Rule provided in Neb. Rev. Stat. § 77-2703.04 to determine assessable revenues for wireless carriers.⁶⁷

Further, RIC recommended that a connections-based mechanism should be implemented for residential end users. However, the current revenues-based mechanism should continue to be used for business end users, special access services and IXC services.⁶⁸

Frontier recommended against the adoption of adjustments stating the process of counting connections should be simple and transparent.⁶⁹ Frontier believed the addition of adjustment factors would engage the Commission in arguable and arbitrary decisions.

iii. Data

Many of the commenters were generally supportive of the Commission's recommendation to utilize FCC Form 477 data to determine the number of connections for reporting purposes. RIC recommended the Commission formally approach the FCC to seek timely access to Nebraska-specific information.⁷⁰ CenturyLink stated the FCC's 477 report is a good starting point for verifying the accuracy of NUSF remittances.⁷¹ However, because it is filed only twice a year, CenturyLink stated, the Commission may need to implement other reporting to determine the number of assessable connections each month.⁷²

iv. Transition

CenturyLink did not recommend the Commission transition to a connections based methodology for NUSF contributions by first adopting a hybrid approach.⁷³ Transitioning to a connections based methodology in a two-step process will necessitate two

⁶⁷ See *id.*, at 20.

⁶⁸ See *id.*

⁶⁹ See Frontier 2016 Comments at 3.

⁷⁰ See RIC 2016 Comments at 24.

⁷¹ See CenturyLink 2016 Comments at 9.

⁷² *Id.*

⁷³ See *id.*

programming changes to billing systems and delay the final transition.⁷⁴ Viaero expressed concerns about the transition to an alternative methodology as well, and recommended the Commission consider the length of time required to make necessary changes.⁷⁵ RIC stated the Commission should exercise a reasonable degree of caution. Both RIC and RTCN recommended the Commission wait until the adopting order becomes a final order prior to transitioning to a new mechanism.⁷⁶

IV. Arguments Presented in the Initial and Reply Briefs

CenturyLink, CTIA, and the Rural Independent Companies (RIC) filed initial Briefs. CenturyLink, CTIA, Cox Nebraska Telcom, LLC, Charter Fiberlink-Nebraska, LLC, RIC, and the RTCN filed Reply Briefs.

A. Jurisdictional Considerations

CenturyLink and RIC argued there are no insurmountable jurisdictional issues preventing the Commission to migrate to a connections-based NUSF contribution mechanism providing that the Commission assess only that part of the connection that is used for intrastate traffic.⁷⁷ Section 254(f) provides that "[a] State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service" and "nothing in Part 54 precludes a state commission from adopting its own state universal service policies and mechanisms."⁷⁸ Nothing in state law requires the Commission to utilize a universal service contribution mechanism based on revenues.

CTIA urged the Commission to wait to revise its NUSF contribution rules until pending FCC action on federal contribution reform has been completed.⁷⁹ CTIA was concerned that

⁷⁴ *Id.*

⁷⁵ See Viaero 2016 Comments at 6.

⁷⁶ See RIC 2016 Comments at 26; and RTCN 2016 Comments at 3.

⁷⁷ CenturyLink's Reply Brief in Response to the Commission's Solicitation for Legal Briefs (August 26, 2016 at 2 ("CenturyLink Reply Brief"); see also Brief of the Rural Independent Companies in Response to July 12, 2016 Order Soliciting Briefs (August 3, 2016) at 4-5 ("RIC Brief").

⁷⁸ CenturyLink Reply Brief at 2-3.

⁷⁹ Comments of CTIA in Response to the Commission's July 12, 2016 Order Soliciting Briefs (August 3, 2016) at 3 ("CTIA Brief").

a state mechanism that targets the same revenues or services as the federal mechanism may be seen as a burden the federal mechanism and thus violate § 254(f).⁸⁰

CenturyLink disagreed arguing nothing in the United States Constitution or the Communications Act including § 254 compels that non-traffic sensitive telephone plant be allocated by a rigid formula.⁸¹ CenturyLink argued its connections-based proposal does not preclude compliance with the federal contributions mechanism and does not rely on interstate services or interstate revenues because it is calculated without reference to interstate service and interstate revenue.⁸² In addition, CenturyLink argued it is not inequitable to assess a flat charge for an intrastate connection without regard to usage or intrastate revenue because every such connection has the capability of intrastate calling.⁸³ Emergency 9-1-1 charges are one such example.⁸⁴ Finally, a flat state universal service charge for an intrastate connection, without regard to usage or revenues is nondiscriminatory because it assesses the same amount to every connection having the capability for intrastate calling.⁸⁵

Likewise RIC argued the Commission has the authority pursuant to state law to issue decisions that conform with and advance the legislative policies of the NUSF.⁸⁶ Neb. Rev. Stat. § 86-323(5) states "there should be specific, predictable, sufficient, and competitively neutral mechanisms to preserve and advance universal service." Section 86-325 further states "the Commission shall determine the standards and procedures reasonably necessary, adopt and promulgate rules and regulations as reasonably required. . . to efficiently develop, implement, and operate the [NUSF]." RIC further argued that nothing in part 54 of the FCC Rules precludes a state from establishing its own contributions mechanism when it does not intrude upon the

⁸⁰ *Id.*

⁸¹ CenturyLink Reply Brief at 4.

⁸² *Id.*, at 5.

⁸³ *Id.*, at 9.

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ RIC Brief at 7.

interstate/international contribution mechanism that the FCC has established.⁸⁷ RIC advised that adherence to the FCC's Kansas/Nebraska Declaratory Ruling directives would minimize, if not entirely avoid any jurisdictional concerns.⁸⁸ Further, RIC stated that compliance with the second constraint found in § 254(f)-the lack of any reliance or burden on the FUSF- can be easily achieved as outlined in its proposed method by which the "intrastate" component of a state connection can be isolated.⁸⁹

RTCN emphasized the Commission should not delay this reform contrary to the request of CTIA.⁹⁰ The cost of not moving forward with state-level contribution reform would be severe.⁹¹ The stability of the fund is critical to whether Nebraska consumers have access to affordable and reliable telecommunications services.⁹²

B. Application of a Connections-Based Mechanism

The Commission specifically stated at the outset of this proceeding that it does not propose to assess broadband service. Nevertheless, at the request of RIC in its comments, the Commission did ask what issues may be presented if a state connections-based contribution mechanism was established where a regulatory surcharge was assessed on a connection through which only broadband Internet access service is provided versus a connection where both broadband and voice is provided. No party supported the assessment of broadband services. The Commission reiterates it is not proposing to include broadband service in its assessment base.

As CenturyLink points out, however, the FCC has not preempted states from assessing universal service fund surcharges on VoIP service. VoIP does not meet the definition of broadband Internet access service (BIAS). VoIP, however, is an application on broadband, not the underlying broadband capability. The VoIP application does not provide the capability to transmit data and receive data from all or substantially all

⁸⁷ *Id.*, at 10.

⁸⁸ *Id.*, at 11.

⁸⁹ *See id.*, at 22.

⁹⁰ *See* Reply Brief of the Rural Telecommunications Coalition of Nebraska (August 26, 2016) at 6 ("RTCN Reply Brief").

⁹¹ *Id.*

⁹² *Id.*

Internet endpoints and therefore does not meet the definition of BIAS. Further, unlike BIAS, the FCC subjects VoIP to federal universal service fund contributions. Finally, CenturyLink argues the FCC's 2010 Nebraska Kansas Ruling eliminates any doubt that states are not preempted from imposing universal service contribution obligations on providers of nomadic interconnected VoIP service.

CenturyLink, RTCN, and RIC each argued that the Commission can tailor its application of the connections-based assessment in a way that is consistent with and not in violation of § 254(f).

C. Identification of Other Issues and Recommendations

Cox and Charter responded to the questions surrounding a data gathering process proposed by RIC. These parties voiced concerns about the highly confidential nature of FCC Form 477 and 499-A data. They recommended the Commission gather input through workshops.

O P I N I O N A N D F I N D I N G S

The Commission has considered the comments filed in response to its November 13, 2014 and April 5, 2016 Orders as well as the briefs and reply briefs filed in response to the Commission's July 12, 2016 Order. The Commission is moving forward despite the fact that some carriers would have us wait for federal contribution reform.⁹³ Since issuing its April 5, 2016 Order seeking comment, collections of NUSF remittances have declined in excess of 13 percent. Total collections in 2014 totaled \$49.5 million compared to approximately \$40.3 million in 2016. The Commission predicts this trend will continue. As reported revenues decline however, the number of voice connections has remained stable. Public FCC data indicates that from 2013 to 2015 voice connections in Nebraska were relatively stable, increasing 0.2% per year.

⁹³ The FCC opened a proceeding in 2002 to consider revising the contributions mechanism to the federal fund. Most recently the FCC issued an Order in 2012 seeking comment on a number of proposals including a connections-based contribution mechanism. The FCC referred the matter to the Federal-State Joint Board on Universal Service on August 7, 2014. The Board has not yet released a proposed recommendation to the FCC. After the Board releases a proposed recommendation the FCC has one year to act on the Recommendation.

Overall, there is general consensus that the current contribution mechanism is not sustainable. If the erosion of the support base continues, which the Commission predicts it will, we cannot achieve the goals and requirements of the NUSF Act. Specifically, the Commission believes it may fall short of meeting the policy of the state to preserve and advance universal service by supporting access to quality telecommunications and information services available at just, reasonable rates through the creation of specific, predictable, sufficient, and competitively neutral mechanisms.⁹⁴

We also believe that nothing in state or federal law requires the Commission to maintain its universal service fund mechanism based on provider revenues.⁹⁵ Rather, we know the FCC has been contemplating a numbers-based or connections-based contribution mechanism for some time and has cited the many positive benefits of making this change.⁹⁶ In addition, there are other universal service mechanisms which currently rely upon a fixed or flat rate surcharge.⁹⁷ As RIC provides in its brief and as we have indicated before, universal service is a joint federal and state partnership. Section 254(f)⁹⁸ provides the states with the ability to preserve and advance universal service with the establishment of their own mechanism.

⁹⁴ See generally, Neb. Rev. Stat. § 86-323.

⁹⁵ See CenturyLink Reply Brief at 5; (A state's USF mechanism does not have to be based on an allocation of non-traffic sensitive plant, an allocation of revenues, or jurisdictional usage factors...").

⁹⁶ See e.g., *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Further Notice of Proposed Rulemaking and Report and Order, 17 FCC Rcd 3752 paras. 16-17 (Rel. Feb. 26, 2002).

⁹⁷ See *State Universal Service Funds 2014*, National Regulatory Research Institute, Report No. 15-05, Sherry Lichtenberg, Ph.D. (June 2015).

⁹⁸ Section 254(f) provides,

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional 'specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.

The NUSF Act likewise directs the Commission, without specific guidance as to the type of surcharge, to establish a universal service mechanism that requires all telecommunications companies to make equitable and nondiscriminatory contributions that will provide consumers in all regions of the state with quality, affordable and reasonably comparable access to telecommunications and information services. We believe that the absence of limiting language in state law suggests that we must make a reasoned interpretation of how best to require telecommunications carriers to contribute on an equitable and nondiscriminatory basis. We further believe there is a way we can fashion a flat end-user surcharge on intrastate calling capability that will meet federal and state requirements.

However, we also recognize that the mechanism adopted should be implemented in a manner that does not rely on or burden the mechanism for collecting federal universal service support. We seek further comment in the form of testimony on the Commission proposal detailed below.

Further, there is consensus that the mechanism adopted by the Commission should be competitively neutral, stable, and easy to administer. We seek further comment in the form of testimony on whether the Commission proposal detailed below satisfies these goals.

Finally, the Commission recognizes the need for the contribution mechanism to be adaptable to future contribution decisions by the FCC. We seek comment in the form of testimony on whether the proposal detailed below meets that objective. We ask that commenters be specific as to how the Commission can meet this goal if they believe the proposal detailed does not do so.

A. Strategic Plan

The Commission sought comments on a strategic plan, or "roadmap" to lay the foundation for sizing the fund and determining the accountability mechanisms that must go along with the determination of an appropriate contribution method. The Commission signaled to interested parties that its goal was to provide NUSF support for scalable broadband networks in a manner that was coordinated with federal support. The Commission further wanted interested parties to understand the Commission's focus was on the deployment of resilient wireline and wireless technology throughout our rural high-cost areas.

We continue to be committed to the goal of ubiquitous broadband. While this goal may be aspirational, we know that broadband service is vital to growing our economy. We also believe this goal to be consistent with the legislative goals in the NUSF Act which provides in relevant part that "access to advanced telecommunications and information services should be provided in **all** regions of the state." (Emphasis Added).⁹⁹ We cannot accomplish this in a short period of time. There are financial limitations on getting there tomorrow. The Commission must balance its aspirations with the affordability goals in the Act. Likewise, we continue to recognize the continuing need to ensure that voice services are offered at affordable rates.

The Commission also sought comments on its desire to support fiber-based networks everywhere in high cost rural areas. We sought comment on this goal as we believed fiber may be the better long term investment. Again, we recognize the need to balance this goal with other objectives, making sure that communications services are affordable and reasonably comparable throughout the state. To the extent that other long term wireline broadband solutions are scalable for the future and meet the Commission's objectives that broadband be developed based upon a comprehensive deployment plan that will coalesce with the needs of consumers, including, but not limited to those imposed in a Next Generation 911 environment, the Commission will consider those alternatives.

Specific reporting and certification procedures will need to be developed for NUSF remittances and distributions. The Commission opened an investigation in Docket NUSF-108 to develop specific accountability and reporting requirements relative to high-cost support distributions. Assuming the contribution mechanism is changed, the Commission will also need to determine the specific reporting procedures for remittances into the fund.

B. Definitions, Adjustments, Data and Transition

In its April 5, 2016 Order, the Commission found it should seek further comment on a contribution reform proposal based on connections. Based on the comments filed we tentatively find a connections-based mechanism be adopted. We continue to believe moving to a connections-based contribution mechanism is the best way to stabilize the fund and provide a predictable, sufficient and stable funding mechanism required by the NUSF Act. We ask interested parties to file testimony in support or opposition of a connections-based contribution mechanism for both business and

⁹⁹ § 86-323(2).

residential service. This proposal would encompass both wireline and wireless connections as well as VoIP connections. We emphasize again for the record, that the revised contribution mechanism will be based on intrastate voice connections and not on standalone broadband Internet access services. Thus, the definitions discussed below would be applied on that basis.

We acknowledge that some commenters endorsed a hybrid connections/revenues contribution mechanism where businesses would continue to remit the NUSF surcharge on a revenues basis. However, we believe connections will be more stable than revenues in the long term and less subject to arbitrage. A connections-based contribution mechanism will be easier for both the carriers and the Commission to administer. The use of Form 477 data will simplify the Commission's ability to determine whether remittances are complete and accurate. The use of connections for both business and residential service will eliminate the need for the Commission to collect data from carriers that it does not already collect and audit. Interested parties are free to address this proposal in their testimony.

The Commission previously sought comment on how "connection" should be defined. The Commission proposed to define a "connection" as follows:

Connection: A wired line or wireless channel used to provide end users with access to any assessable service.

A few of the commenters supported this definition in recognition of the fact that it was the definition proposed by the FCC. However, some commenters pointed out that the term "wireless channel" was not a defined term. We note the term "wireless channel" is utilized in the FCC's Form 477 instructions in its generally descriptive language. For the purpose of this definition, the Commission would rely on the general and common understanding of the phrase wireless channel, meaning a wireless pathway or frequency used to transmit information. If a wireless connection capable of transmitting voice service is reported to the FCC for Form 477 purposes, likewise, the Commission proposes that it would fall under the definition of "connection". Whether or not it would be an assessable connection would be subject to the Commission's determination of an "assessable service."

The Commission proposed "assessable service" to be defined as follows:

Assessable service. A service which requires a network connection that is identified through the use of an inter-network routing number as the means to provide the telecommunications.

A couple of modifications to this definition were suggested. RIC suggested that the definition be revised to read as follows:

Assessable service. A service which allows a connection to other networks through inter-network routing as a means to provide telecommunications.

The Commission agrees with RIC that the definition should be modified to delete the word "requires" and replace it with the word "allows." We further agree with RIC that the use of working telephone numbers for routing would serve as a readily available method to identify assessable connections. For purposes of this order inter-network routing numbers are limited to working telephone numbers. We further clarify our proposal that the assessment would continue to be on the end users. The Commission will provide the opportunity for parties to file testimony either supporting or in opposition to the definitions provided above.

V. Request for Comments in the Form of Testimony

The Commission requests that interested parties provide comments in the form of testimony in preparation of a hearing on these issues. The Commission seeks testimony on the Commission's proposal to adopt a connections-based contribution mechanism and the flat rate structure of the mechanism as described in further detail below. In its determination of a rate design the Commission wants to further its goal of creating an intrastate end user surcharge in an equitable and nondiscriminatory manner. In addition, the Commission believes its proposed platform will be easy for the Commission and the carriers to administer and can readily accommodate federal universal service reform if, and when, it is enacted.

A. Proposed Connections-Based Contribution Mechanism Rate Design

The Commission proposes a connections-based contribution mechanism as more fully described in **Appendix A** which is attached to this order and fully incorporated herein. To meet

the budget goals further discussed in Part B below, the Commission proposes the following surcharge rates per connection:

Table 1: Estimated 2015 Connections

Description	Estimated Connections
Residential Wireline	242,000
Residential VoIP	113,000
Business Wireline	263,000
Business VoIP	110,000
Wireless	1,886,000

Table 2: Proposed Surcharges and Estimated Collections

Description	Proposed Surcharge	Estimated Revenue from Connections
Mobile Voice	\$ 1.29	\$ 28,363,836
Residential Fixed Voice	\$ 1.24	\$ 5,150,980
Business Fixed Voice, \$0 - \$100 ¹⁰⁰	\$ 3.11	\$ 8,118,235
Business Fixed Voice, \$100 - \$200	\$ 9.33	\$ 12,177,352
Business Fixed Voice, \$200 - \$500	\$ 21.77	\$ 5,682,764
Business Fixed Voice, \$500 - \$1,000	\$ 46.65	\$ 6,088,676
Business Fixed Voice, Over \$1,000	\$ 124.41	\$ 5,412,156

Table 3: Total Estimated Collections

Fixed Voice Services	\$ 42,630,164
Mobile Voice Services	\$ 28,363,836

B. Sizing of the Fund

The Commission would like interested parties to address in their testimony how to determine the size of the high-cost mechanism using the SBCM. We know from a preliminary review of the SBCM that the calculated funding need to deploy fiber-based networks everywhere in Nebraska above the FCC's \$52.50/month benchmark would be approximately \$255 million dollars per year. The staff has estimated federal high-cost support to Nebraska

¹⁰⁰ The range values denote the end user retail rates charged for voice grade business service.

carriers per year is approximately \$92.6 million.¹⁰¹ The difference between the SBCM calculated need for funding and the federal support received by the carriers is approximately \$163 million per year. Of the total amount of capital and operating expenses estimated by the SBCM, approximately 38% is for ongoing operations. We recognize that a high-cost mechanism near that size would be unobtainable and would be a burden on consumers. We must reach a reasonable balance between consumer access to broadband networks everywhere in Nebraska and affordable consumer rates for communications services. We anticipate the budget to be the subject of further evaluation as we evolve the high-cost mechanism to a more specific and targeted grant-based program taking into consideration federal support received, gaps in broadband coverage, and carrier needs and resources.

First, we seek overall comment on how the Commission should close the gap between the proposed funding level and that which is estimated by the SBCM to build a ubiquitous broadband network throughout the state? What revenue offsets, if any, should be considered to reduce the size of the high-cost mechanism? How should the high-cost fund size be determined in light of funding that has already been made available through the federal universal service fund program? How should the Commission take into account existing broadband networks or those funded through recent grants? Should the Commission take other federal universal service programs into account, such as potential funding through the FCC's Remote Areas Fund? How should the Commission balance the size of the fund with other considerations such as the burden on ratepayers? Please be specific in addressing these issues.

Second, as a starting point, we are putting forward a proposal for comment. The proposal is set forth in **Table 4** below. We arrived at the proposed budget by looking at the current and desired funding needs as well as quantifiable reductions made through the removal of implicit subsidies.

From September 1999 through January 2004, the Commission identified \$61 million in implicit subsidies. The Commission removed those implicit subsidies from telecommunication providers rates and made this high-cost support explicit through the NUSF. Using a calculation of changes in the Gross Domestic Product, Price Index ("GDP-PI"), \$61 million in funding in 1999 would

¹⁰¹ The FCC offer to price cap carriers in Nebraska totals \$23,215,615 per year. Estimated federal model support for rate-of-return carriers totals approximately \$31,718,539 per year and federal legacy support totals \$37,670,381 million per year.

equate to \$84 million in 2015. By way of comparison, in 2015, due to declining revenues, the Commission only distributed \$38.3 million in high cost support.

Additionally, the Commission currently funds the NUSF Tele-Health Program, \$600,000/year, the Nebraska Telephone Assistance Program, \$400,000/year, and the Mobile Wireless Tower Fund, \$4,000,000/year. We are also expecting companies to invest in new and faster broadband technologies that in many cases result in the wholesale replacement of company networks. These replacement networks will most likely be more expensive not only because of inflation but also for the significant increase in capacity required of such networks in the new digital world.

Based on these four programs alone¹⁰² the size of the NUSF would need to be \$66 million.¹⁰³ However, the Commission believes that increased funding may be needed in order to achieve our goals to preserve and advance voice as well broadband service to all Nebraskans.

For example, the Commission anticipates there will be a need to support voice service for Lifeline subscribers as the FCC phases out voice and supports only the broadband service component. If we continue to support voice service at the current discount level of around \$13.00 a line, and based upon the current number of NTAP subscribers, the need for support would total approximately \$1,224,000. In addition, the Commission also hopes to increase Lifeline participation as we know the level of participation is well below the number of qualified subscribers. We seek comment on the appropriate budget for the continued support of voice service in the Lifeline program.

In addition, the Commission seeks comment on whether an increase in support to the Mobile Wireless Tower Fund is appropriate to improve coverage in non-economic areas of the state. Our current budget is \$4,000,000.00 but historic funding

¹⁰² These four programs include the high-cost program at \$61 million, the Mobile Wireless Broadband Program at \$4 million, the Telehealth Program at \$600,000, and the Low-Income Voice Program at \$400,000.

¹⁰³ This amount does not include the current budget for administrative expenses and the Commission's current broadband adoption program which would bring the budget to \$67.5 million.

requests have far exceeded the amount of support available.¹⁰⁴ We also acknowledge the increased reliance on wireless technology in addition to the underlying wired network. We propose to increase the budget to \$10 million in an effort to meet consumers' expectations and a consistent demand for support. We invite interested parties to comment on this proposal.

Finally, the Commission is committed to increasing accountability to ensure that all NUSF support is being used in accordance with state law and Commission Rules and Regulations. As broadband funding requests are filed, more administrative staff time is needed to timely review and process support payments. Accordingly, an increase in administrative expenses is also proposed to ensure adequate review and auditing of the use of NUSF funding. The administrative expense may also include a testing program to ensure network reliability and integrity.

The desired funding for all of these programs would result in a total fund size of approximately \$80 million. However, the Commission must balance its program goals with the requirement that access to voice service remain affordable. As a starting point, the Commission proposes to strike that balance by proposing a more limited budget as described in Table 4 below. We specifically seek comment on limiting the budget total to \$71 million at this time, in order to ensure that service remains affordable. We ask commenters to provide specific comments on each element of the proposed budget below. We also ask interested parties to specifically comment on how to achieve the appropriate balance between meeting the desired goals of each program with the coterminous impact of the surcharge level on consumers. We ask interested parties to provide specific comments in the form of testimony in response to the Commission's proposal set forth below.¹⁰⁵

We further recognize as broadband services continue to be deployed across the state, the Commission will need to continue to closely monitor the needs for universal service funding and the affect the resulting surcharges have on consumers and their ability to afford these critical services. We ask interested parties to comment on how we can best adapt to the changing universal service funding needs.

¹⁰⁴ See e.g., NUSF-69 wireless fund requests in 2013 totaled \$12.3 million. By comparison in NUSF-92 wireless carrier support requests totaled approximately \$9.8 million in 2014, \$7 million in 2015, and \$9 million in 2016.

¹⁰⁵ Additional detail is provided in **Appendix A** to this Order.

Table 4: Proposed Program Funding for 2018

Program	Current (2016)	Proposed (2018)
Administration Expenses	\$ 1,000,000	\$ 1,500,000
Tele-Health Program	\$ 600,000	\$ 500,000
Low-Income Voice Program	\$ 400,000	\$ 1,224,000
Low Income Broadband Program	\$ -	\$ 3,000,000
Mobile Wireless Broadband Program	\$ 4,000,000	\$ 10,000,000
Fixed Broadband Program	\$ 36,664,096	\$ 54,000,000
Broadband Adoption Grants	\$ 500,000	\$ -
NUSF-7 Funding Grants	\$ 770,000	\$ 770,000
Totals	\$ 43,934,096	\$ 70,994,000

C. Other Considerations

Interested parties are invited to provide additional positions and testimony on the matters relevant to issues raised in this Progression Order but that were not specifically covered in question format.

VI. Comment Period

The Commission requests that interested parties provide comments responsive to the issues raised above in the form of pre-filed testimony on or before **March 24, 2017**. Commenters should file five (5) paper copies and one (1) electronic copy of their Comments with the Commission. Electronic copies should be sent to Sue.Vanicek@nebraska.gov and Brandy.Zierott@nebraska.gov.

VII. Hearing

The Commission sets this matter for hearing on **April 25, 2017** at 1:30 p.m., central time, in the Commission Hearing Room, 300 The Atrium, 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

SECRETARY'S RECORD, NEBRASKA PUBLIC SERVICE COMMISSION

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(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 the findings and conclusions made herein be and they are hereby adopted.

IT IS FURTHER ORDERED that further comments in the form of testimony may be filed on or before **March 24, 2017**.

IT IS FURTHER ORDERED that a hearing on the issues identified herein will be held on **April 25, 2017** at 1:30 p.m. central time, in the Commission Hearing Room, 300 The Atrium Building, 1200 N Street, Lincoln, Nebraska 68508.

ENTERED AND MADE EFFECTIVE at Lincoln, Nebraska, this 22nd day of February, 2017.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Mary Kider
Crystal Knadus

//s//Frank E. Landis
//s//Tim Schram

Tim Schram
Chairman

ATTEST:

Jeffrey I. Puley
Executive Director

Summary of Proposed Connection Charges			Charge	Revenue
Connection Charge for Mobile Voice			\$ 1.29	\$ 28,363,836
Connection Charge for Residential Fixed Voice			\$ 1.24	\$ 5,150,980
Connection Charge for Business Fixed Voice, \$0 - \$100			\$ 3.11	\$ 8,118,235
Connection Charge for Business Fixed Voice, \$100 - \$200			\$ 9.33	\$ 12,177,352
Connection Charge for Business Fixed Voice, \$200 - \$500			\$ 21.77	\$ 5,682,764
Connection Charge for Business Fixed Voice, \$500 - \$1,000			\$ 46.65	\$ 6,088,676
Connection Charge for Business Fixed Voice, Over \$1,000			\$ 124.41	\$ 5,412,156

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Fixed Voice and Mobile Voice Split			Monthly				Annual			Surcharge @	Surcharge @	Surcharge @	Annual
			Connections	Assumed Collectible %	Adjustment (Households)	Adjusted Connections	2016 Budget & 2015 Adj Connections	2005 Budget & 2015 Adj Connections	2018 Budget & 2015 Adj Connections	2016 Budget	2005 Budget	2018 Budget	Projected Receipts
Line #	Description	Source	Inputs (A)	Inputs (B)	Inputs (C)	(D)= (A) * (B) / (C)	Inputs & (E) = (D) * 12	Inputs & (F) = (D) * 12	Inputs & (G) = (D) * 12	(H)= Ln2.05(E) / (C)	(I)= Ln2.05(F) / (C)	(J)= Ln2.05(G) / (C)	(K)= (J) * (A) * (B) * 12
2.01	Budget	Inputs					\$ 43,934,096	\$ 61,100,000	\$ 70,994,000				
2.02	Fixed Voice	Inputs	728,000	97.19%	0.70	1,010,817				3.11	4.32	5.02	\$ 42,630,164
2.03	Mobile Voice	Inputs	1,886,000	97.19%	2.73	672,544				0.80	1.11	1.29	\$ 28,363,836
2.04	Adjusted Connections					1,683,361	20,200,331	20,200,331	20,200,331				
2.05	Estimated Total Receipts	Ln2.02 + Ln2.03											\$ 70,994,000
2.06	Base Connection Fee per Household	Ln2.01 / Ln2.04					\$ 2.17	\$ 3.02	\$ 3.51				
2.07	Fixed Voice to Mobile Voice Ratio												60% / 40%

Residential & Business Fixed Voice Split			Monthly				Annual			Surcharge @	Surcharge @	Surcharge @	Annual
			Connections	Assumed Collectible %	Adjustment (Dollars)	Adjusted Connections	2016 Budget & 2015 Adj Connections	2005 Budget & 2015 Adj Connections	2018 Budget & 2015 Adj Connections	2016 Budget	2005 Budget	2018 Budget	Projected Revenues
Line #	Description	Source	Inputs (A)	Inputs (B)	Assumed (C)	(D)= (A) * (B) / (C)	Inputs & (E) = (D) * 12	Inputs & (F) = (D) * 12	Inputs & (G) = (D) * 12	(H)= Ln3.10(E) / (C)	(I)= Ln3.10(F) / (C)	(J)= Ln3.10(G) / (C)	(K)= (J) * (A) * (B) * 12
3.01		Inputs					26,381,352	36,689,058	\$ 42,630,164				
3.02	Residential Fixed Voice	Inputs	355,000	97.19%	\$ 20.00	6,900,771				\$ 0.77	\$ 1.07	\$ 1.24	5,150,980
3.03	Business Fixed Voice, \$0 - \$100	Inputs	223,800	97.19%	\$ 50.00	10,876,004				\$ 1.92	\$ 2.68	\$ 3.11	8,118,235
3.04	Business Fixed Voice, \$100 - \$200	Inputs	111,900	97.19%	\$ 150.00	16,314,005				\$ 5.77	\$ 8.03	\$ 9.33	12,177,352
3.05	Business Fixed Voice, \$200 - \$500	Inputs	22,380	97.19%	\$ 350.00	7,613,203				\$ 13.47	\$ 18.74	\$ 21.77	5,682,764
3.06	Business Fixed Voice, \$500 - \$1,000	Inputs	11,190	97.19%	\$ 750.00	8,157,003				\$ 28.87	\$ 40.15	\$ 46.65	6,088,676
3.07	Business Fixed Voice, Over \$1,000	Inputs	3,730	97.19%	\$ 2,000.00	7,250,669				\$ 76.99	\$ 107.07	\$ 124.41	5,412,156
3.08	Adjusted Connections		728,000			57,111,654	685,339,852	685,339,852	685,339,852				42,630,164
3.09	Estimated Sub-Total Receipts												
3.10	Base Connection Fee per \$	Ln3.01 / Ln3.08					\$ 0.04	\$ 0.05	\$ 0.06				
3.10	Estimated Total Receipts	Ln2.03 + Ln3.08											70,994,000

Assumed Business 1 % of Total 60.0%
Assumed Business 2 % of Total 30.0%
Assumed Business 3 % of Total 6.0%
Assumed Business 4 % of Total 3.0%
Assumed Business 5 % of Total 1.0%

No data to support these allocations. Assumed %s for illustrative purposes.

Line #	Description	Source	Period	Amount	Connection / Household	Source
1.01	Nebraska Households	Census	2015	820,925		B25001 (2015 American Community Survey 1-Year Estimates)(Nebr)
1.02	Nebraska Population	Census	2015	1,896,190		B01003 (2015 American Community Survey 1-Year Estimates)(Nebr)
1.03	Fixed - Res - Wireline	Form 477	12/31/2015	242,000		https://www.fcc.gov/file/11770/download NE Tab
1.04	Fixed - Res - VoIP	Form 477	12/31/2015	113,000		https://www.fcc.gov/file/11770/download NE Tab
1.05	Fixed - Res - TOTAL	Ln1.03 + Ln1.04	12/31/2015	355,000	0.43	
1.06	Fixed - Bus - Wireline	Form 477	12/31/2015	263,000		https://www.fcc.gov/file/11770/download NE Tab
1.07	Fixed - Bus - VoIP	Form 477	12/31/2015	110,000		https://www.fcc.gov/file/11770/download NE Tab
1.08	Fixed - Bus - TOTAL	Ln1.06 + Ln1.07	12/31/2015	373,000	0.45	
1.09	Fixed - Total - TOTAL	Ln1.05 + Ln1.08	12/31/2015	728,000	0.89	
1.10	Used Fixed Connection / Household	FCC USF Order	2015		0.70	Rate of Return ACAM Order (Para. 53)
1.11	Mobile - Total - TOTAL	Form 477	12/31/2015	1,886,000	2.30	https://www.fcc.gov/file/11770/download NE Tab
1.12	Mobile Subscriptions per Person	World Bank	2015	1.18		Mobile Cellular Subscriptions (World Bank)
1.13	Used Mobile Connections / Household	Ln1.12 * Ln1.02 / Ln1.01	2015		2.73	

Program	Current (2016)	Actual 2005	Proposed (2018)
2.01 Administration Expenses	\$ 1,000,000		\$ 1,500,000
2.02 Tele-Health Program	\$ 600,000		\$ 500,000
2.03 Low-Income Voice Program	\$ 400,000		\$ 1,224,000
2.04 Low Income Broadband Program	\$ -		\$ 3,000,000
2.05 Mobile Wireless Broadband Program	\$ 4,000,000		\$ 10,000,000
2.06 Fixed Wireless Broadband Program	\$ 36,664,096		\$ 54,000,000
2.07 Broadband Adoption Grants	\$ 500,000		\$ -
2.08 NUSF-7 Funding Grants	\$ 770,000		\$ 770,000
2.09 Totals Sum(Ln2.01 .. Ln2.08)	\$ 43,934,096	\$ 61,100,000	\$ 70,994,000
2.10 Annual Growth Factor (2005 - 2018)			1.2%

3.01 NTAP	0.31%
3.02 Uncollectible	2.50%