

**BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION**

In the Matter of the Nebraska )  
Public Service Commission, on its )  
own motion, seeking to )  
Administer the Nebraska )  
Universal Service Fund's )  
Broadband Program: Application )  
to the Nebraska Broadband )  
Program received from Glenwood )  
Telecommunications, Inc. )

Application No. NUSF-92.25

**PUBLIC VERSION**

**REPLY TESTIMONY OF BRAD HEDRICK**

**ON BEHALF OF**

**WINDSTREAM NEBRASKA, INC. ("WINDSTREAM")**

**June 29, 2015**

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**REPLY TESTIMONY OF  
BRAD HEDRICK**

1                   **I.     BACKGROUND AND QUALIFICATIONS**

2   **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3   A.     My name is Brad Hedrick. My business address is 1440 M Street, Lincoln, NE  
4           68508.

5   **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6   A.     I am employed by Windstream as its Division Vice President, Field  
7           Operations, for a seven-state region that includes the State of Nebraska.

8   **Q.     ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS  
9           PROCEEDING?**

10  A.     I am testifying on behalf of Windstream. My educational background and  
11           professional qualifications are fully described in the prefiled direct testimony  
12           filed in support of Windstream’s NEBP grant application in Docket No.  
13           NUSF-92.39.

14                   **II.    PURPOSE OF TESTIMONY**

15  **Q.     PLEASE DISCUSS THE PURPOSE OF YOUR TESTIMONY.**

16  A.     I am testifying in opposition to the Glenwood Telecommunications, Inc.  
17           (“Glenwood”) application for project funding in the Sutton area, and to staff’s  
18           recommendation to fund that project. The project represents an extensive  
19           overbuild of Windstream’s currently available broadband services in and  
20           around Sutton. Further, some of the areas in and around Sutton are eligible for  
21           the Connect America Fund (“CAF”) Phase II funding from the FCC which  
22           could potentially affect the extent of the overbuild. Windstream maintains that

1 this Commission's limited funding resources can and should be put to better  
2 use than to support an extensive overbuild of available broadband services.

3 **Q. WHAT EXHIBITS ARE YOU SPONSORING?**

4 A. I am sponsoring, and Windstream asks the Commission to admit as a  
5 composite exhibit, two confidential maps which are attached to this testimony  
6 and marked as Exhibit "A." The first page of Exhibit "A" shows, by census  
7 block, the territory proposed to be served by the Glenwood Sutton project. The  
8 second page of Exhibit "A" shows, as an overlay to this area, the census blocks  
9 to which Windstream provides broadband service (as of June 2014). Exhibit  
10 "A" portrays in a simple and direct way the extensive overbuild that the  
11 Glenwood Sutton project represents.

12 **III. WINDSTREAM'S RESPONSE TO GLENWOOD'S SUTTON PROJECT**  
13 **APPLICATION AND TESTIMONY**

14 **Q. HAVE YOU REVIEWED THE GLENWOOD APPLICATION AND**  
15 **TESTIMONY FILED IN SUPPORT OF GLENWOOD'S PROPOSED**  
16 **SUTTON PROJECT?**

17 A. Yes, I have reviewed both. Every word of the Glenwood testimony and much  
18 of the Glenwood application were filed as confidential. I have executed the  
19 appropriate documentation to review the confidential information involved in  
20 this proceeding. In this reply testimony, I respect appropriate confidential  
21 designations, but the scope of Glenwood's designation imposes some limits in  
22 the ability of parties and the Commission to openly address some aspects of the  
23 proposed grant.

1 **Q. WHAT ARE YOUR OBSERVATIONS OF GLENWOOD'S**  
2 **APPLICATON FOR ITS SUTTON PROJECT?**

3 A. As the Commission indicated in NUSF-77 Progression Order No. 7 (issued  
4 January 15, 2013), the NEBP funding goals include comparable access to one  
5 fixed and one mobile broadband provider to all areas of the state. In NUSF-92  
6 Progression Order No. 2 (issued September 3, 2014) the Commission clarified  
7 that it would look to three factors in determining whether a service would be  
8 considered fixed or mobile: (1) the FCC definition in the *Transformation*  
9 *Order*, (2) compliance with Phase 2 wireless E911 standards, and (3) customer  
10 expectations for mobile use of the service. In the application in this case,  
11 Glenwood does not even suggest its proposed Sutton project would meet the  
12 criteria for consideration as a mobile service, in whole or in part; rather, only  
13 fixed services are mentioned in the application. Thus, the fixed services  
14 Glenwood proposes for Sutton are in the same category as, and will be in direct  
15 competition with, Windstream's comparable wireline broadband services.  
16 And, as I will discuss, Glenwood's Sutton project represents an extensive  
17 overbuild of Windstream's comparable wireline broadband services and  
18 therefore should not be approved for NEBP funding.

19 **Q. CAN YOU BRIEFLY DESCRIBE SOME OF THE INVESTMENT**  
20 **WINDSTREAM HAS IN PLACE TO PROVIDE BROADBAND TO THE**  
21 **SUTTON AREA.**

22 A. Yes. As part of a Windstream broadband network improvement program  
23 called "Project A2E" (i.e., an ATM to Ethernet network conversion),  
24 Windstream made certain capital investments to improve broadband service to

1 our customers in the Sutton area. Specifically, Windstream installed [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]

15 With this new network in place, Windstream can currently offer speeds  
16 of up to 40 Mbps down and 4 Mbps up in many of the areas in and around  
17 Sutton. To be clear about the timing of these improvements, the planning,  
18 engineering and significant parts of the installation took place before the  
19 Glenwood Sutton application was filed. Project A2E encompasses a number  
20 of areas Windstream serves throughout Nebraska, not just Sutton. The  
21 company believes making these investments to meet customers' increasing  
22 broadband needs is an important investment and part of its overall business  
23 plans. Although the new speeds available as a result of the improvements I've

1 described for Sutton are not being actively marketed yet, they will be in the  
2 near future.

3 **Q. ON WHAT EVIDENCE DO YOU BASE YOUR CONCLUSION THAT**  
4 **THE GLENWOOD SUTTON PROJECT IS AN EXTENSIVE**  
5 **OVERBUILD OF WINDSTREAM'S BROADBAND SERVICES?**

6 A. For purposes of the NEBP grant program, the Commission defines broadband  
7 as 4 Mbps down/1Mbps service up. Windstream compared the census blocks  
8 Glenwood proposes to serve in its application to the census blocks to which  
9 Windstream provides broadband service (per the state and national broadband  
10 maps as of June 2014). The results of that comparison are shown in the  
11 confidential exhibit maps filed with my reply testimony. Windstream  
12 maintains that the maps depict an extensive -- not just a marginal or  
13 insignificant -- overbuild, even without considering the areas that might be  
14 impacted by CAF Phase II (which I will discuss later). Indeed, the overbuild  
15 of the Glenwood Sutton project is so extensive that, as measured by raw census  
16 blocks or customer numbers, the project covers almost all of the census blocks  
17 and customers to which Windstream currently provides broadband service. Or,  
18 stated another way, Windstream already has broadband services available to  
19 most of the census blocks, and to the vast majority of service  
20 locations/customers, covered by the Glenwood Sutton application.

21 **Q. ARE THE CENSUS BLOCKS SHOWN ON THE CONFIDENTIAL**  
22 **EXHIBIT MAP DEPICTING WINDSTREAM'S AVAILABLE**  
23 **BROADBAND SERVICE CONSISTENT WITH WHAT HAS BEEN**

1           **REPORTED TO STATE AND NATIONAL BROADBAND DATA**  
2           **GATHERING AUTHORITIES?**

3    A.    Yes. Windstream's engineers re-examined the data Windstream reported to  
4           the mapping authorities and internal data to check for overall accuracy of the  
5           confidential exhibit map. We also checked the maps shown on the Nebraska  
6           Broadband Map website, <https://prodmaps.ne.gov/StateMap/>. I also note that  
7           the information Windstream sends to the mapping authorities is reviewed for  
8           accuracy before submission and represents a conservative view of the areas in  
9           which Windstream makes broadband service available, as of June 2014.

10   **Q. DO YOU HAVE ANY OTHER OBSERVATIONS ABOUT THE**  
11   **GLENWOOD SUTTON APPLICATION?**

12   A.    Yes. The application alleges that customers in and around Sutton do not have  
13           access to "reliable broadband service to meet their needs." (Application, page  
14           1.) Windstream disagrees with this assertion. As I have already indicated,  
15           Windstream has broadband services available to most of the areas, and to the  
16           vast majority of customers, covered by Glenwood's application. Further, as I  
17           indicated earlier, the network upgrades I mentioned result in a significant  
18           improvement in the broadband service speeds and broadband offerings  
19           available to many customers in and around Sutton. Even so, we recognize that  
20           not every single person who may want wireline/fixed broadband in the areas  
21           outside of Sutton can get it from Windstream today, unfortunately. Other  
22           types of broadband services (cable, mobile wireless, fixed wireless) may be  
23           available to those customers, according to the availability information on the  
24           state's broadband mapping site. However, the more significant point of

1 emphasis here is that *public* funding for an extensive overbuild of like services  
2 is not a prudent use of limited state resources, particularly where, as here, the  
3 would-be overbuilt provider has not only committed private investment capital  
4 for services that the Commission encourages providers to deploy, but that the  
5 provider continues to make such investments. The Commission should be  
6 concerned with the signal that a significant overbuild like this sends to private  
7 providers and to the investment community generally.

8 The Glenwood application also contains a letter of support for the  
9 Sutton project from Cooperative Producers, Inc. ("CPI"), which claims that  
10 there is not adequate broadband in Sutton. Windstream, again, disagrees with  
11 this claim, and, as I have already described, Windstream's broadband offerings  
12 in the Sutton area continue to improve. [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED] Windstream does not agree with the basis or  
17 conclusion of CPI's letter regarding services in Sutton.

18 **Q. DO YOU HAVE ANY COMMENTS REGARDING GLENWOOD'S**  
19 **PREFILED DIRECT TESTIMONY?**

20 **A.** [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED] In response to this statement, I would say a few things. First, the confidential exhibit filed with my testimony reflects the fact that there are significant rural areas around Sutton to which Windstream already offers broadband service. Glenwood simply proposes an extensive overbuild of the services currently available as shown in the confidential exhibit maps and the state and federal broadband maps. Second, by this statement, Glenwood tries to make it sound like a bad thing Windstream can provide broadband at speeds greater than 4/1 Mbps in certain areas but not others and seems to hint that this should help Glenwood’s case. Windstream disagrees with the suggestion that the availability of disparate service speeds should negatively impact how the Commission views the extensive overbuild here. The fact remains that Windstream has a minimum of 4/1 Mbps service – “broadband” by this Commission’s definition -- available in most of the areas, and to the vast majority of customers, Glenwood proposes to serve via its Sutton project. Finally, I would again emphasize that as a result of the previously mentioned network upgrades, which Glenwood was unaware of at the time testimony was filed, Windstream is now able to provide speeds significantly greater than 4/1 Mbps to more areas in Sutton.

1                   IV.    WINDSTREAM'S RESPONSE TO THE STAFF'S  
2                                   RECOMMENDATION AND TESTIMONY

3    **Q.    STAFF RECOMMENDS THAT GLENWOOD'S SUTTON PROJECT**  
4           **BE APPROVED FOR FUNDING. HOW DO YOU RESPOND?**

5    A.    Windstream's concern is not so much with the scoring methodology in the  
6           abstract as it is with the product of that scoring methodology in this case and  
7           with the fact that the application is not entirely transparent to the parties. We  
8           understand that the Commission refers to the broadband maps as a starting  
9           point for discerning unserved and underserved areas and that the maps are not  
10          the sole determining factor for or against a grant. But whatever it is that goes  
11          into an applicant's total score and ranking – inputs and calculations the staff  
12          does not allow the parties to review – the results of the scoring should not take  
13          a back seat to what should be plain to the eye. And in this case, what is plain  
14          to see from the confidential exhibit maps is an extensive overbuild.

15                 This Commission has said that it would consider countervailing  
16                 evidence presented by intervenors, and the Commission has, in the past,  
17                 exercised its discretion to deny grant projects that represented extensive  
18                 overbuilds of existing broadband services even if the project scored favorably.  
19                 The Commission should exercise its discretion to reject the extensive overbuild  
20                 in this case. The Commission has to get the most bang for its NEBP buck, and  
21                 if a grant applicant does not have an alternative to minimize an overbuild,  
22                 grant funds can be used more efficiently on a per customer basis in other areas  
23                 of the state where there is not the sort of extensive overbuild as is present here.

1 Q. IN THE STAFF RECOMMENDATION AND IN STAFF'S  
2 TESTIMONY, STAFF ADDRESSES PERCEIVED OVERLAPS WITH  
3 PRIOR NEBP GRANTS AND CAF FUNDING. DOES WINDSTREAM  
4 HAVE ANY COMMENTS ON STAFF'S APPROACH?

5 A. Yes. On page 9 of Mr. Frost's testimony, he states:

6 With regards to CAF, staff identified no concerns with projects  
7 submitted in the current round of NEBP applications. However,  
8 analysis of previously approved projects resulted in the identification of  
9 significant overlap with several currently proposed projects. Staff  
10 believes it inappropriate and contrary to the goal of the NEBP, to  
11 provide duplicative funding in these areas merely based on the fact that  
12 previously approved construction is not yet complete.

13 Mr. Frost then goes on to identify specific grant requests that staff eliminated  
14 from NEBP contention due to such overlaps.

15 Windstream believes the reference to CAF here is to CAF Phase I  
16 funding, as those projects were readily identifiable at the time staff analyzed  
17 the NEPB grant applications in this round. On April 29, 2015, the FCC  
18 announced its state-wide funding offers for CAF Phase II dollars in Nebraska  
19 and all other states. Windstream and other price cap carriers have until August  
20 27, 2015, to decide whether or not to accept the FCC's state-wide support  
21 offers. The state-wide offer to Windstream in Nebraska includes service  
22 locations in and around Sutton. The confidential exhibit maps Windstream has  
23 submitted in this case does not reflect any additional areas that could be served  
24 via CAF II funding. (At this time, Windstream continues to evaluate the

1 FCC's state-wide offers and has not yet made any decisions regarding CAF II.)  
2 Thus the confidential exhibit map represents the minimum overbuild posed by  
3 the Glenwood Sutton application -- an overbuild extensive in its own right and  
4 which, it's safe to say, would not decrease as a result of CAF II.

5 Staff's testimony on this subject prompts some additional comment.  
6 Windstream believes that the same basic principles that compelled staff to  
7 eliminate duplicative broadband funding proposals (for like-kind services such  
8 as fixed/wireline) from NEBP contention should be considered whether the  
9 duplicated like-kind facilities/services are a CAF project, a NEBP funded-but-  
10 not-yet-built project, or private capital invested in or slated for an existing  
11 network. A duplication of like-kind facilities/services through NEPB funding  
12 is a duplication whether the NEBP funds overbuild state/federal dollars or  
13 private investment: either way, it is not an efficient use of limited Commission  
14 resources. Staff did not specify the degree of duplication warranting the  
15 exclusions staff discusses in its testimony and recommendation, and Staff  
16 informed the parties in a conference call that no objective criteria were used in  
17 its analysis. We therefore can only assume that staff concluded that state funds  
18 could be more efficiently spent on other, non-duplicative projects that could  
19 help more customers in the state obtain broadband on a lower overall dollar-  
20 per-customer basis.

21 That same sort of judgment call to exclude the Glenwood Sutton  
22 project is what Windstream asks the Commission to make here. NEBP dollars  
23 can be used more efficiently and help more Nebraskans by not overbuilding  
24 Windstream's existing (and continuing) investment in like-kind fixed/wireline

1 services. If it is a good business decision for Glenwood to invest at-risk  
2 private capital, rather than NEPB funds, to provide the competing services at  
3 issue here, Glenwood can make that investment on its own.

4 **Q. DOES THIS CONCLUDE YOUR REPLY TESTIMONY?**

5 A. Yes. On behalf of Windstream, I respectfully request that the Commission  
6 deny funding for the Sutton project filed by Glenwood.

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