

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska) Application No. NUSF-139
Public Service Commission, on its) Progression Order No. 3
own motion, to consider appropriate)
modifications to the high-cost distribution)
and reporting mechanisms in its Universal)
Service Fund program in light of federal)
and state infrastructure grants.)

COMES NOW the Rural Telecommunications Coalition of Nebraska (“RTCN”), by and through its attorneys of record, and hereby respectfully submits the attached Pre-filed Direct testimony of Shaun Barkley in response to the Order Releasing Proposal and Setting Procedural Schedule, entered by the Public Service Commission on July 9, 2024, in Application No. 139, Progression Order No. 3.

DATED: August 6, 2024

**RURAL TELECOMMUNICATIONS
COALITION OF NEBRASKA**

**Arapahoe Telephone Company d/b/a ATC
Communications, Benkelman Telephone
Company, Inc., Cozad Telephone
Company, Diller Telephone Company,
Hartman Telephone Exchanges, Inc.,
Southeast Nebraska Communications,
Inc., Pierce Telephone Company,
Wauneta Telephone Company**

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PREFILED DIRECT TESTIMONY OF SHAUN BARKLEY

ON BEHALF OF

THE RURAL TELECOMMUNICATIONS COALITION OF NEBRASKA

August 6, 2024

Q: PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

A: My name is Shaun Barkley. I am one of the principals at SBW Consulting, LLC, PO Box 21918, Lincoln NE 68542. SBW Consulting, LLC provides telecommunications policy and regulatory services to various Nebraska rural local exchange carriers.

Q: ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?

A: I am testifying on behalf of the Rural Telecommunications Coalition of Nebraska (“RTCN”). The RTCN is an association of rural local exchange companies providing voice and broadband services to customers in Nebraska. The current members of the RTCN are Arapahoe Telephone Company d/b/a ATC Communications, Benkelman Telephone Company, Inc., Cozad Telephone Company, Hartman Telephone Exchanges, Inc., Diller Telephone Company, Southeast Nebraska Communications, Inc., Pierce Telephone Company, and Wauneta Telephone Company.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A: The purpose of my testimony is to provide general support for the Commission’s proposed transitional mechanism for high-cost support allocation for the 2025 calendar year. In doing so, and because the Commission’s Order suggests that some facets of the transitional mechanism may be carried forward into more permanent reforms, we offer our opinion where necessary on such matters.

Q: BEGINNING WITH THE COMMISSION STAFF’S PROPOSAL TO PROVIDE SUPPORT ONLY TO HIGH COST LOCATIONS THAT ARE CAPABLE OF 100/20 Mbps SPEEDS, WHAT IS RTCN’S POSITION?

A: The RTCN supports this proposal. With few exceptions, RTCN members have completed fiber to the home (FTTH) build out in their respective exchanges and provide their customers with voice and broadband service at speeds of 100/100 Mbps or greater. We agree this requirement should be applied to both Rate of Return carriers and Price Cap carriers.

Q: DOES THE RTCN SUPPORT THE COMMISSION STAFF'S PROPOSAL TO UPDATE THE COST MODELING DATA UTILIZED TO DETERMINE LOCATION SPECIFIC SUPPORT, AND THE COMMISSION STAFF'S PROPOSED BENCHMARK RATE FOR ESTIMATED PER LOCATION REVENUE?

A: Yes, the RTCN applauds the Commission Staff's proposal for updating the Commission's cost modeling data. The cost data currently utilized to make such determinations is long outdated and fails to accurately reflect the current actual costs of serving rural areas. We also agree with the proposed \$63.69 funding threshold for estimated revenues that a carrier could reasonably obtain from end-users.

Q: THE COMMISSION STAFF PROPOSES TO CONTINUE UTILIZING THE NUSF EARN FORM FOR RATE OF RETURN CARRIERS; HOWEVER, PRICE CAP CARRIERS WOULD BE SUBJECT ONLY TO A PROPOSED RATE COMPARABILITY METRIC. WHAT IS THE RTCN'S POSITION ON THIS ASPECT OF THE COMMISSION STAFF'S PROPOSAL?

A: For purposes of transitional 2025 high-cost support allocation *only*, the Commission Staff's proposal is acceptable. However, we do not believe this aspect of the Commission Staff's proposal is suitable on a permanent basis.

Throughout this proceeding, the RTCN has consistently advocated that the NUSF EARN form, the earnings cap, and overearnings redistribution functions have outlived their usefulness and should be discontinued – because these processes contribute to the instability of funding for reasons that are not based on sound policy. Annual fluctuations in support resulting from the earnings cap and overearnings redistribution *do not* correspond to the actual expenses incurred to support and operate deployed networks in rural Nebraska. The mismatching of actual expenses and NUSF ongoing support output leave providers of deployed networks in an unenviable position of being unable to invest NUSF ongoing support for needed future upgrades. This is a basic unfairness that the Commission must ultimately address.

While we acknowledge that subjecting Price Cap carriers to the NUSF EARN form and earnings cap may present challenges unique to that class of carrier, for purposes of high cost ongoing support there is no logical reason for subjecting Rate of Return carriers and Price Cap carriers to differing standards in this respect.

Q: WHAT IS THE RTCN’S RESPONSE TO THE COMMISSION STAFF’S PROPOSAL FOR THE IMPUTATION OF FEDERAL SUPPORT THAT WILL BE REMOVED FROM A CARRIER’S MODELED COSTS?

A: The RTCN agrees that federal support received must in some manner be accounted for when determining a carrier’s eligible support base. Beyond that general statement, we reserve any further comment until after the updated cost modeling data is complete and the impact of any particular method of federal support imputation can be considered together with the new data.

Q: COMMISSION STAFF HAS PROPOSED A “GLIDE PATH” MECHANISM ENSURING THAT RECIPIENTS DO NOT RECEIVE LESS THAN 75 PERCENT OF THEIR 2023 ONGOING SUPPORT AMOUNTS, SUBJECT TO EARNINGS LIMITATIONS. WHAT ARE RTCN’S OPINIONS ON THIS ITEM?

A: The RTCN supports the “glide path” mechanism and thanks the Commission Staff for developing a function that ensures that year over year support changes are not so drastic as to create hardships.

Consistent with our prior Comments and testimony in this docket, we encourage the Commission to consider permanent adoption of “safe harbor” or “glide path” mechanisms that ensure support recipients an ongoing support base. One of the Legislature’s fundamental goals for Nebraska universal service policy was “specific, **predictable**, sufficient, and competitively neutral mechanisms to preserve and advance universal service.” Neb. Rev. Stat. § 86-323(5)(emphasis supplied) In 1997, the Legislature foresaw the need for universal service funding to be delivered in a predictable, stable manner – not annually subject to drastic changes outside the control of providers – as a means of encouraging continued business investment in rural, high cost areas.

Providing a stable, consistent base amount of annual ongoing support that cannot be lost as a result of overearning, federal support elections, budget control mechanisms, or other considerations would ensure that providers can plan on, and will make, network investments based on NUSF ongoing support. Development of an annual base support amount would also promote better predictability and stability of NUSF ongoing support funding by mitigating the negative impacts of certain issues with the current NUSF methodology.

We look forward to further conversations on this topic as the Commission considers permanent reforms.

Q: THE COMMISSION STAFF PROPOSES THAT NUSF SUPPORT, ALTHOUGH IT IS ONGOING IN NATURE, MAY BE USED TO AUGMENT EXISTING PROJECTS AND DEPLOYMENT OBLIGATIONS AT THE RECIPIENT'S DISCRETION. DOES THE RTCN SUPPORT THIS ASPSECT OF THE COMMISSION STAFF'S PROPOSAL?

A: Yes, the RTCN agrees that the use of NUSF funds at the recipient level should be flexible in nature - provided that a recipient is complying with all Commission requirements for receipt of ongoing NUSF support.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes.