

In the Matter of the Nebraska Public) Application No. NUSF-139
Service Commission, on its own Motion, to) Progression Order No. 3
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.

**PRE-FILED DIRECT TESTIMONY OF THE
NEBRASKA RURAL BROADBAND ALLIANCE**

The Nebraska Rural Broadband Association, through its attorneys of record, respectfully submits the attached Pre-filed Direct testimony of Bachtiyer Kholmatov 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

**NEBRASKA RURAL BROADBAND
ASSOCIATION**

Cambridge Telephone Company;
Glenwood Telephone Membership
Corporation; Glenwood Network Services;
Glenwood Telecommunications, Inc.;
Hemingford Cooperative Telephone Co.;
Mainstay Communications; Midstates
Data Transport, LLC dba Stealth
Communications; Mobius
Communications; Pinpoint
Communications; Plainview Telephone
Company; Stanton Telecom, Inc.; Town &
Country Technologies; WesTel Systems,
dba Hooper Telephone Company.

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CERTIFICATE OF SERVICE

The undersigned certifies that an original of the attached *Pre-Filed Testimony* of the Nebraska Rural Broadband Association were filed with the Public Service Commission on August 6, 2024, and a copy was served via electronic mail, on the following:

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BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

**PRE-FILED DIRECT TESTIMONY OF THE
NEBRASKA RURAL BROADBAND ALLIANCE**

Introduction

Q: Please state and spell your name for the record.

A: Bachtiyer Kholmatov [SPELL].

Q: Mr. Kholmatov, please tell the Commission about yourself. Who do you work for? What is your position? What do you do? Go through your education and other experience too, please.

A: As I said, my name is Bachtiyer Kholmatov, I am CEO/President of Pinpoint Holdings, Inc. that includes our two telecom subsidiaries – Cambridge Telephone Co. (ILEC) and Pinpoint Communications (CLEC/ETC). My educational background is in Economics (BA in Economics and Mathematics from Novosibirsk State University, Russia in 1992) and Finance and Business Administration (MBA with Finance from UNL in 1995). Prior to my work at Pinpoint, I have worked in various industries in senior finance roles. I joined Pinpoint in 2008, became its CFO in 2010 and was promoted to the CEO role in 2020. Like many other Nebraska telecom companies, Pinpoint grew out of a rural telephone company – in our case Cambridge Telephone Company established in 1918. Cambridge Telephone currently serves the Cambridge and Bartley exchanges as an ILEC. Our CLEC subsidiary was established in mid-90s to facilitate expansion into cable TV business, other CLEC markets in the southwest Nebraska area, and by late 90s into internet service. During the last five years, Pinpoint Communications have expanded into several small towns in the southwest Nebraska, as well as few southeast Nebraska markets such as Auburn, Nebraska City and Syracuse. Pinpoint Communications have been an active participant of various rural broadband programs (Cares

Act, NBBP, CPF and NUSF-131 Reverse Auction). Over many years, our expansion into other markets has been rooted in our vision to serve unserved and underserved rural residents and businesses and small communities with fiber broadband service.

Q: In addition to appearing as a representative of Cambridge and Pinpoint today, are you also appearing on behalf of the Nebraska Rural Broadband Alliance (or “NRBA”)?

A: Yes. In addition to Cambridge and Pinpoint, the following ILECs and CLECs are members of the NRBA: Glenwood Telephone Membership Corporation; Glenwood Network Services; Glenwood Telecommunications, Inc.; Hemingford Cooperative Telephone Co.; Mainstay Communications; Midstates Data Transport, LLC dba Stealth Communications; Mobius Communications; Plainview Telephone Company; Stanton Telecom, Inc.; Town & Country Technologies; and WesTel Systems, dba Hooper Telephone Company. Together we serve throughout the state.

Q: What is the purpose of your testimony before the Commission today?

A: I have been asked by the NRBA to provide testimony in response to Order Releasing Proposal and Setting Procedural Schedule, entered by the Public Service Commission (the “Commission”) on July 9, 2024, in Application No. 139, Progression Order No. 3 (“PO3 Order”). I intend to address each of the ten general proposals made by Commission Staff in Attachment A of the PO3 Order. Before I address those issues, however, I would like to commend the Commission for the approach it is taking to this proceeding. In the PO3 Order, the Commission said (and I’ll quote):

“This proposal should be considered transitional in nature, and while many aspects of the proposal may be carried forward to a more permanent mechanism, it is intended to be used initially for only the purpose of high-cost support allocation for the 2025 calendar year.”

Q: What makes you emphasize that quote?

A: The NBRA strongly believes that the Commission is correct in establishing a transitional methodology. As it says in the PO3 Order, most of the Commission's proposals will likely wind up forming the long-term roadmap for high-cost support distribution. Yet, it is self-evident that the Commission's ambitious and deliberate overhaul of the Nebraska Universal Service Fund ("NUSF") will not happen overnight. The Commission has pushed this investigation at a reasonable pace and through a process that has allowed full evidentiary consideration of complicated issues.

The Commission's characterization of the approach it proposes as transitional is important. Near the conclusion of Workshop No. 2, the RIC attorney offered a written plan for structuring the NUSF high-cost program during a year-long *transitional period*. Prior to Workshop No. 2, the NRBA – we – had informally suggested a more comprehensive approach to reform, but it also included a *transitional period*. In Comments we filed following the June 25 Workshop, the NRBA emphasized the need for a *transitional period*.

The NRBA generally supports the Commission's current overall approach to overhaul and, as you will hear throughout my testimony, we are in agreement with most of the specific proposals made by Commission Staff.

Issues Raised in Attachment A

1. Staff Proposal: Support for 100/20 Mbps Locations.

Q: Mr. Kholmatov, the Commission Staff first proposes to continue to support Eligible Telecommunications Carriers (“ETCs”) serving locations that are capable of receiving 100/20 Mbps. According to Commission Staff, this would be true without regard to the characterization of the wireline carrier (e.g., Price Cap, Rate-of-Return, ACAM, etc.). Please respond to this proposal.

A: The NRBA supports the staff proposal based on the understanding that all high-cost support be treated as “ongoing support,” as the term is used in NEB. REV. STAT. § 86-324.02(2). I will talk about this more when we discuss issue No. 10.

2. Definition of High-Cost Locations.

Q: The Commission Staff proposes to utilize the existing definition of “high cost,” which it characterizes as “areas” that lie “outside of cities, villages, and a density less than 42 households per square mile.” Please comment.

A: The NRBA supports continued use of the existing definition of “high cost,” as staff has proposed. The NRBA limits its support for this definition for the duration of the Transitional Period. After cost modelling is performed or as necessary to maintain consistency with federal definitions, the Commission’s definition may itself need to be modified.

3. Cost Modelling

a. FCC Location Fabric.

Q: Mr. Kholmatov, Commission Staff proposes utilizing location-specific cost modelling data developed through contract with CostQuest Associates, LLC. The Staff states that the cost modelling would utilize the FCC's location fabric as the basis for determining where broadband serviceable locations exist. What is the NRBA's position on this proposal?

A: The NRBA renews its applause the Commission for swiftly engaging CostQuest, a reputable firm with a long-standing history of providing sound direction for the Commission in its administration of the NUSF. The NRBA supports the use of the most current FCC location fabric to determine serviceable locations.

b. Broadband Data Collection Map.

Q: The Commission Staff proposes to utilize the most recent version of the FCC's Broadband Data Collection ("BDC") for purposes of determining locations capable of receiving 100/20 Mbps broadband services. What is the NRBA's response to this proposal.

A: The NRBA supports the Staff proposal. Despite its shortcomings, the BDC is the best indicator of served locations. The Commission should remain open to allowing processes to challenge data from the BDC.

4. Support; Funding Threshold.

Q: The Commission Staff proposes that high-cost support be available for each broadband-capable (100/20 Mbps) location that is not competitively served by a wireline competitor. Staff stated that "[m]odeled cost would consist of both CapEx and OpEx portions of modeled support." The Commission also proposed a funding threshold of \$63.69, based on federal data, which the Commission believes carriers could reasonably obtain from end users monthly. What is the NRBA's response to Staff's proposal?

A: The NRBA supports the Staff's proposal for the Transitional Period.

5. EARN Form.

Q: Mr. Kholmatov, the Commission Staff proposes continued use of the NUSF EARN form to determine earnings for Rate-of-Return carriers. Staff stated that it believes the EARN form is an important accountability tool and supports continuation of its cap on earnings. What is the NRBA's position?

A: The NRBA supported the Staff proposal. The EARN form is an important accountability tool to ensure carriers do not over-earn.

6. Price Cap Rate Accountability.

Q: Commission staff proposes to use rate comparability as a means of holding Price Cap carriers accountability. What is the NRBA's response?

A: The NRBA believes Staff's proposal relating to financial accountability of Price Cap carriers is overly light-handed.

7. Accounting for Federal Support

Q: The Staff outlines its recommendations for removing federal support from the modelled cost, leaving remaining costs to make up the high-cost support base. Staff makes separate recommendations depending on whether the carrier is characterized as E-ACAM, ACAM, Legacy, and Price Cap. Further, staff recommends that all federal support imputations use disbursement amounts from the previous year. Please comment.

A: According to Commission Staff, Attachment B data was derived from the SBCM, the financial inputs of which are based on cost data from approximately 2006 through 2011. Comparing an ETC's 2024 federal USF receipts to the ETC's SBCM cost to serve all 100/20 locations based on 2010 era financial data shown in Attachment B does not allow evaluation of whether the staff's proposed methodology produces reasonable results for all or any NETCs. Until CostQuest delivers and the Staff runs an updated SBCM based on 2023 era

financial costs, it would be speculative for NRBA to weigh in on whether the Staff's proposal is reasonable. For transitional purposes before release of the new SBCM based on 2023 era financial data, the Staff proposal may be acceptable but the NRBA cannot evaluate its reasonableness without Attachment B being extended to show imputed federal USF, earnings levels, overearnings redistributions, and any other material adjustments.

8. Redistribution of Over-earnings.

Q: Commission staff proposes to continue its practice of redistributing over-earnings among carriers that are earning under the cap.

A: The NRBA supports this proposal. The Commission's approach to redistribution of over-earnings has worked well in the past.

9. Glide Path.

Q: To allay any potential cliff effect caused by the transitional changes in high-cost support allocation, the Commission Staff proposes a "glide path." Under this approach, ETCs would either receive the allocated support in accordance with the proposals set forth in the PO3 Order or an amount equal to 75% of the carrier's 2023 ongoing support amount, whichever is greater. What is the NRBA's response to the Staff's proposal.

A: The NRBA supports Staff's proposal. As long as it is administered fairly and equitably, it should serve consumers well and produce a level of financial stability for ETCs by establishing a known floor of support and reduces large year to year swings in NUSF support.

10. Bilateral Nature of Support.

Q: The Commission Staff notes that while the transitional support will be considered ongoing support, as it pertains to NEB. REV. STAT. § 86-324.02(2), “the support is intended to fulfill the overall obligations of high-cost support.” In other words, support may be used to augment existing projects and deployment obligations at the carrier’s discretion.

A: The NRBA supports Staff’s proposal.