BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska	)	Application No. NUSF-108
Public Service Commission, on its	)	Progression Order No. 4
own Motion, to make adjustments	)	
to its high-cost distribution	)	
mechanism and make revisions	)	
to its reporting requirements.	)	

COMMENTS BY GREAT PLAINS COMMUNICATIONS LLC IN RESPONSE TO ORDER SEEKING FURTHER COMMENT

Great Plains Communications LLC ("Great Plains") respectfully submits the following further comments to the Nebraska Public Service Commission ("Commission") in Progression Order No. 4 of the above-captioned docket.[1] Great Plains files these comments in addition to joining in the comments being filed by the Nebraska Rural Independent Companies.

I. INTRODUCTION

Great Plains applauds the Commission for recognizing that "additional support in these [capped] locations is necessary to incentivize broadband buildout that exceeds the minimum requirements put in place by the [Federal Communications Commission ("FCC")], and meets the definition of broadband as defined by this Commission."[2] The Commission thus recognizes that the Alternative Connect America Cost Model ("A-CAM") support provided to capped locations is insufficient to cover the costs to be incurred to meet the state's goal of 25/3 Mbps broadband

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[1] *In the Matter of the Nebraska Public Service Commission, on its Own Motion, to make adjustments to its high-cost distribution mechanism and make revisions to its reporting requirements,* Application No. NUSF-108, Progression Order No. 4, Order Seeking Further Comment (Feb. 5, 2019) (the "*P.O.#4 Further Comment Order*").

[2] *See In the Matter of the Nebraska Public Service Commission, on its Own Motion, to make adjustments to its high-cost distribution mechanism and make revisions to its reporting requirements,* Application No. NUSF-108, Progression Order No. 4, Order Seeking Comment, at 3 (Nov. 19, 2018) (the "*P.O.#4 Order*").

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service to all residents in Nebraska: carriers will have to invest their own money and additionally utilize High Cost Program support to make 25/3 Mbps available to all.

The Commission's proposal in the *P.O.#4 Further Comment Order* is to use the State Broadband Cost Model ("SBCM") to identify the costs above the $52.50/month customer revenue benchmark that remain unfunded for capped locations after subtracting A-CAM support, and to provide such amounts on a monthly basis as ongoing support, subject to budget limitations established by the Commission.[3] However, such ongoing support would only become available *after* a carrier reports the location as served with 25/3 Mbps service in the Universal Service Administrative Company's High Cost Universal Broadband ("HUBB") online portal, with the amount unknown at the time the carrier makes the decision to deploy.

Thus, Great Plains offers a new proposal below intended to accomplish the Commission's dual objectives of bringing 25/3 Mbps broadband to the entire state and avoiding duplicating federal support, so that the Commission's policy will actually achieve buildout in capped locations. Great Plains' primary concern is that the amount of annual ongoing support a company would receive under the *P.O.#4 Order* framework is insufficient to justify the significant investments required to meet the state's broadband goals in those extremely high cost areas where federal support is capped. Due to High Cost Program budget limitations, the amount of monthly ongoing support funding would be only a small fraction of the SBCM-calculated investment required to bring fiber to serve the eligible census blocks and would be subject to variation from year to year. Unlike the A-CAM program, there would be no commitment of a defined amount of funding over

[3] *P.O.#4 Further Comment Order* at 5.

a multi-year period. Great Plains' proposal is intended to address the upfront capital hurdle that deters companies from making deployment investments.

II. DISCUSSION

The FCC has recognized that broadband deployment will not occur in high-cost areas if companies do not have a reasonable expectation they will receive sufficient support to cover the revenue shortfall they will incur in serving less densely populated areas. Under the FCC's current A-CAM framework, companies receive monthly support for both operating expenses ("OpEx") and capital investment ("CapEx") over a ten-year period in exchange for meeting a defined obligation to deploy broadband meeting the FCC's requirements to a pre-determined number of locations, with financial consequences for non-performance.[4] Support is defined and authorized up front, in advance of construction, which provides companies with the certainty they require in order to invest their own capital. In essence, companies advance their own capital, with the expectation that they will recoup a portion of that capital from the federal government over a defined period of time.

The Commission will shortly implement its reform of the NUSF contributions methodology, after which it is reasonable to expect the Commission will increase the available budget for the High Cost Program. In order to achieve the 25/3 Mbps goal established by the

[4] Under the FCC's cost model, the cost of building a fiber-to-the home network is calculated and amortized over the life of the fiber asset – 25 years. The FCC's cost model also calculates the ongoing cost to operate that fiber network. The ten-year income stream from A-CAM thus reimburses carriers both for CapEx and OpEx, but it does not fully reimburse companies for the total model-calculated CapEx, because the current A-CAM term is only ten years, not 25 years. The FCC expects to conduct a rulemaking proceeding before the end of the current A-CAM term to determine how support will be determined after the end of the ten-year term. *Connect America Fund et al.*, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, para. 22 (2016).

legislature, Great Plains respectfully requests that some portion of the increased amount of collections be allotted to A-CAM companies to help defray the significant capital investment required to deploy 25/3 Mbps broadband to capped locations. This separate budget to jumpstart deployment for capped locations would be distributed in a different manner than the proposal for ongoing support in the *P.O.#4 Further Comment Order*.

Under Great Plains' proposal, the Commission would allocate that budget for new deployment to capped locations among A-CAM companies based on the relative SBCM cost characteristics of those locations, comparable to the methodology used to allocate the Broadband Deployment Support budget among rate-of-return carriers based on their relative share of the SBCM-calculated total investment for eligible census blocks. Funding would be offered through an annual election process.

Carriers would be eligible to receive an amount equal to the SBCM-calculated required investment to deploy fiber in the eligible census block, but with an adjustment downward to reflect the amount of support for CapEx that is provided through A-CAM support. The Commission would provide an amount of support equivalent to 80% of the CapEx shortfall, in the year of construction; thus, the electing company would be assuming the risk of some of its own capital without NUSF funding. But this increased level of funding, contrasted to the proposal in the *P.O.#4 Further Comment Order*, would provide sufficient certainty to carriers to advance their own capital to build fiber to serve these extremely high-cost areas. In the event of non-performance, the amount advanced could be recouped from future ongoing support payments.

This funding dedicated to new broadband deployment to capped locations would be optional in the sense that eligible A-CAM companies would elect to receive the funding, in exchange for meeting defined broadband commitments. To the extent not all the funding is utilized in a given year, that amount would roll over into the broadband deployment budget for A-CAM capped locations in the following year.

Assuming full implementation of this proposal in 2020, before the end of 2019 the Commission would announce the total 2020 budget to be allocated to jumpstart broadband deployment to capped locations, and the allocation of that budget among A-CAM carriers based on the SBCM-derived cost characteristics of the census blocks that receive capped A-CAM support. A-CAM carriers interested in receiving this supplemental funding then would identify the geographic areas (and number of locations in those areas) where they are willing to upgrade their networks to provide 25/3 Mbps service in the coming year. Each company could voluntarily elect to receive an amount of supplemental funding, in exchange for deploying 25/3 Mbps to a specified number of locations in the coming construction season or seasons (for larger projects). This process would occur annually.

The deployment obligation would be individually tailored to individual companies, based on the SBCM-calculated CapEx costs of the specific census blocks where they plan to construct fiber. In particular, the Commission would determine the CapEx shortfall for hard-to-serve areas, taking into account the amount of funding for CapEx provided by A-CAM support, using the following formula:

> CapEx shortfall/location = [total calculated CapEx for carrier-identified eligible census blocks/location] – [CapEx reimbursement over ten-year A-CAM term for carrier-identified eligible census blocks/location]

To provide an illustrative example, assume a situation in which the SBCM-calculated total investment per location in a particular census block is $30,000. Using the above formula, the carrier is facing a $18,000 shortfall in CapEx to build fiber to serve a particular location with 25/3 Mbps:

$18,000 [CapEx shortfall/location] = $30,000 [total CapEx/location] - $12,000 [$1,200 annual CapEx reimbursement/location * ten years][5]

Whatever amount of supplemental funding is allocated to that carrier that year would be divided by the per location figure to determine the deployment obligation associated with this support.

The following illustrative example shows how the deployment obligation would be calculated. Assume a company with an average CapEx shortfall of $18,000 per location were to elect to participate, and $1 million in supplemental funding were allocated to that company for 2020. The company would receive $14,400 per eligible location (an amount equivalent to 80% of the $18,000 CapEx shortfall) during calendar year 2020, the year of construction. It would have an obligation to deploy fiber to provide 25/3 Mbps service to 69 households in the identified census blocks ($1 million divided by $14,400), and to report those locations in the HUBB no later than March 1, 2021.

The primary difference between this proposal and that in the *P.O.#4 Further Comment Order* is that electing carriers would be assured of funding in the year of construction to justify large capital investments that will be required to achieve 25/3 Mbps service in these higher-cost locations. Effectively, this would significantly accelerate the provision of support for CapEx compared to the Commission's proposal in the *P.O.#4 Further Comment Order*, with clearly defined deployment obligations established up front. Carriers would not be subject to the uncertainty of whether and how much recovery they would receive from one year to the next for previously incurred CapEx. Once deployment is completed and reported in the HUBB, monthly ongoing support would be provided for capped locations, with a downward adjustment to reflect

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[5] As noted above, because A-CAM amortizes the cost of the fiber over 25 years, the annual amount of CapEx provided through the A-CAM support in this example is $1,200 ($30,000/25).

the amount of funding advanced by the Commission in the year of construction to accelerate investment. In other words, when allocating ongoing support among companies that have deployed 25/3 Mbps service based on SBCM output, the Commission would reduce the "Model-Based Ongoing Support Base" for electing carriers by whatever amount of supplemental funding has been provided by the Commission to accelerate broadband construction to capped locations, to avoid double recovery of such amounts.

As an additional proposal, Great Plains suggests that to the extent any A-CAM carrier is eligible for ongoing support in census blocks that are unsupported by the A-CAM program (because the carrier has already deployed fiber in those census blocks), that company be permitted to utilize its allotted state funding to defray the cost of fiber deployment in other eligible census blocks that do not yet have 25/3 Mbps. By allowing companies effectively to transfer the ongoing funding to other areas in need of CapEx support within the universe of High Cost Program-eligible census blocks, the Commission will accelerate the deployment of broadband in those areas that lack it today. The Commission could use the same methodology suggested above to establish a defined deployment obligation based on the CapEx shortfall in the specific census blocks where the company plans to deploy in the coming year, with those locations submitted into the HUBB by March 1 of the following year.

III. CONCLUSION

Great Plains appreciates the opportunity to provide these further comments to supplement the NRIC filing and looks forward to continued participation in this docket.

Dated: March 7, 2019

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CERTIFICATE OF SERVICE OF SERVICE

The undersigned certifies on March 7, 2019, an electronic copy of the foregoing pleading was delivered to:

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