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Nebraska Public Service Commission

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

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

POST-HEARING COMMENTS OF GREAT PLAINS COMMUNICATIONS LLC

Great Plains Communications LLC ("Great Plains") respectfully submits the following Post-Hearing Comments in response to the Nebraska Public Service Commission's ("Commission") Progression Order No. 4 entered in the above-captioned docket and the evidence presented at the public hearing on this docket that was held on April 30, 2019.[1] Great Plains files these Comments in addition to participating in and supporting the Comments filed by the Nebraska Rural Independent Companies ("RIC").

I. Introduction

Serving more than 14,000 square miles across Nebraska, Great Plains provides broadband, voice and other services to many of the most rural and costly areas of the state to serve. Great Plains has made significant strides in the deployment of broadband to its rural, out-of-town service areas thanks to the Federal Communications Commission's ("FCC") establishment of the Alternative Connect America Model ("A-CAM") program in 2016 and the provision of financial support through the A-CAM program. In the first two years of the program alone, Great Plains has reached 6,207 new customers in A-CAM-eligible locations in

[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*").

rural Nebraska with broadband at varying speeds.[2] This is in addition to the thousands of customers located in small communities and surrounding areas throughout Nebraska that are ineligible for A-CAM support but that Great Plains is nonetheless serving and constantly upgrading with broadband speeds ranging from 20/1 Mbps to 1 Gbps/500 Mbps.

With this strong record of broadband deployment, Great Plains continues its commitment to serve rural Nebraskans as it has for more than 109 years. However, additional policy changes need to be made to enable Great Plains to serve its highest cost rural customers located in the State's lowest population density areas in accordance with the Legislature's goal of provision of ubiquitous fiber-based service with speeds of at least 25/3 Mbps.

The focus of the *P.O. # 4 Further Comment Order* is on how Nebraska rate-of-return ("ROR") carriers that have elected to receive A-CAM support from the FCC can partner with the Commission in order to maximize buildout of broadband at speeds of at least 25/3 Mbps through the utilization of A-CAM support with supplemental Nebraska Universal Service Fund High Cost Program ("NUSF") support to reach all rural customers as required by state law. Great Plains is committed to providing at least 25/3 Mbps broadband service to every single customer it serves across its vast footprint, which is larger than the states of New Jersey and Connecticut combined, but with a density of approximately two customers per square mile (and far less in the highest cost rural areas).

Great Plains offers these Comments to highlight and build upon the strong record created in the April 30, 2019, hearing at which Great Plains advocated that the Commission should take

[2] Based on its submissions to the Universal Service Administrative Company's High Cost Broadband ("HUBB") portal, Great Plains is providing access to broadband services in A-CAM-eligible locations as follows: 1 Gbps/500 Mbps, 1,110 locations; 100/25 Mbps, 100 locations; 25/5 Mbps, 223 locations; 25/3 Mbps, 952 locations; 10/1 Mbps, 3,182 locations; 4/1 Mbps, 640 locations.

action to commit to carriers a specific amount of support toward capital expenses ("CapEx") in advance of or immediately following completion of construction of 25/3 Mbps broadband to capped A-CAM locations in order to accelerate broadband deployment and comply with Nebraska statutes. The hearing evidence and record in this proceeding demonstrate that the only way that a carrier will make the additional large investments required to build fiber to these very high-cost capped locations will be with the advance knowledge that supplemental NUSF CapEx support will be made available in addition to the support the carrier is receiving from A-CAM.

The proposal submitted by Great Plains in its March 7, 2019, Comments[3] and as explained at the hearing is one method by which the Commission can provide a specific level of support in order to incent a carrier to deploy broadband to capped locations, and thus the carrier will know the amount of NUSF support available to recover the costs of these investments. Other proposals and concepts introduced at the hearing could also provide positive incentives for accomplishment of this build out. But as the evidence also shows, the Commission proposal (the "Proposal") contained in the *P.O. #4 Further Comment Order*[4] will not incent broadband deployment to these capped locations and thus falls short of meeting the Nebraska Legislature's goal of 25/3 Mbps service to all Nebraskans regardless of location. Great Plains believes that with a reorientation of the Proposal as discussed by Commissioners and presented by witnesses at the hearing, the Commission can make tangible progress toward ultimately providing broadband accessibility to all Nebraska customers in capped locations.

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[3] *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, Comments filed by Great Plains (March 7, 2019) ("*Great Plains Comments*").

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

II. Great Plains Supports the Staff Recommendation to Provide Ongoing Support for 2019 and Beyond for Capped Locations Already Built at 25/3 Mbps

The Commission previously recognized that "additional support in these [capped] locations is necessary to incentivize broadband buildout that exceeds the minimum requirements put in place by the [FCC], and meets the definition of broadband as defined by this Commission,"[5] a finding with which Great Plains concurs. Thus, there is agreement that A-CAM support alone cannot achieve buildout of broadband at speeds of at least 25/3 Mbps to customers in capped locations. As a step in the right direction toward recognizing the need for recovering the high costs of serving these capped locations, Commission staff witness Cullen Robbins proposed that some ongoing NUSF support be distributed in 2019 for buildout to capped A-CAM locations reported to the HUBB portal through 2018.[6] Mr. Robbins stated that for 2020 and beyond, the Commission "may consider integrating the support with our ongoing bucket of support," making the additional support allocated for capped locations part of the overall NUSF budget for ROR carriers "with the potential for additional support for all high-cost funds if and when additional remittances are brought into the fund with recent changes to contributions."[7]

While the Proposal is inadequate to achieve additional deployment of broadband at 25/3 Mbps to most capped locations, Great Plains supports it to the extent that it is a necessary action to provide some ongoing support in 2019 to recover some costs incurred for the capped locations where Great Plains does provide service at this level. Great Plains further urges the Commission

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[5] *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*").

[6] Tr. 16:15-18.

[7] Tr. 17:3-13.

to make provision of ongoing support permanent for already built capped locations in ensuing years after 2019 so carriers can be assured of at least some amount of NUSF funding for the already-incurred costs of deployment and ongoing operating expenses. Great Plains also supports Mr. Robbins' testimony making capped locations eligible for ongoing support in the future once those capped locations are built out at 25/3 Mbps and reported to the HUBB.[8] Great Plains will provide the Commission with regular HUBB updates as broadband service is deployed to customers across the state, as welcomed by Mr. Robbins,[9] so that additional capped locations can be eligible for ongoing NUSF support on an expedited basis.

III. Substantial Evidence Exists Supporting an Alternative Approach to the Commission's Proposal so that Customers in Capped Locations Have a Reasonable Likelihood of Receiving Broadband at 25/3 Mbps

The primary matter at issue remains whether and how the Commission will provide a specific amount of supplemental NUSF support for CapEx so that carriers will undertake the high cost of construction of fiber-based broadband service to all A-CAM capped locations. Building and operating networks in rural areas requires a consistent, predictable level of support over many years in order to give companies the assurance to make these long-term investments. The testimony and evidence provided at the hearing makes it clear that an alternative to the Proposal provided by the Commission in its *P.O. # 4 Further Comment Order* and discussed by Mr. Robbins will be necessary if rural Nebraska consumers in A-CAM capped locations are to receive broadband service of at least 25/3 Mbps as required by state law. The record demonstrates that absent modifications to the Proposal, those customers will not be served

[8] Tr. 13:7-14:2; 16:19-22.

[9] Tr. 16:11-14.

because carriers will not have the certainty of a specific amount of NUSF support year after year for recovery of CapEx costs in order to proceed with construction.

A. The Hearing Record Demonstrates that Great Plains' Proposal, as Well as Proposals by Two Commissioners, Can Truly Incent Deployment to Capped Locations

The *Great Plains Comments* and the testimony of the Great Plains witness at the hearing presented a proposal that would accelerate broadband deployment in A-CAM capped locations by combining federal, carrier and state resources so that a carrier has assurance that a substantial portion of its deployment costs will be met.[10] Great Plains' witness Ken Pfister testified regarding the extent to which additional deployment could occur at different levels of supplemental NUSF support made available specifically for capital investments toward broadband deployment. Between 378 and 757 new capped locations could be built annually with additional CapEx annual funding of between $5 million and $10 million.[11] This represents "real, measurable" buildout of broadband at speeds of 25/3 Mbps or above to rural Nebraska customers.[12]

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[10] *See Great Plains Comments*, which propose that to accelerate broadband buildout to capped A-CAM locations, A-CAM-electing carriers would advance 10 years of A-CAM funding for CapEx, would receive from NUSF support 80% of the CapEx shortfall subject to available NUSF budget, and would fund the remaining 20% of CapEx costs from their own resources. Carriers would then build each year to capped locations whose SBCM CapEx costs equal the total amount of support from those sources, based on the NUSF budget made available. Consistent with the discussion that follows in these Comments, Great Plains is receptive to a modification of the foregoing proposal with the Commission announcing the NUSF portion of CapEx funding for capped locations but not distributing some or all of the support until a carrier completes construction, as long as the Commission's distribution announcement order can be used as collateral with a lender for a carrier to obtain interim financing for build out. Once capped locations are built to under Great Plains' proposal, they would be eligible for ongoing NUSF support for operating expenses ("OpEx") and the 20% toward CapEx the company put forth.

[11] Tr. 67:12-16. *See* Pfister Confidential Exhibit 1.

[12] Tr. 67:17-18.

The record also shows that proposals made by two Commissioners during the hearing could provide meaningful incentives for carriers to undertake the cost of construction to capped locations knowing that specific amounts of committed NUSF support would be available. Commissioner Schram introduced one such proposal for accelerating buildout to capped locations. The Commissioner's "hybrid" proposal (as he described it) would provide 50 percent of the remaining CapEx cost in NUSF support to a carrier prior to build out and the remaining 50 percent upon completion of projects.[13] Great Plains assumes that Commissioner Schram's proposal references NUSF funding of the remaining State Broadband Cost Model ("SBCM") CapEx costs that are not covered by A-CAM support over the 10 years of that program, consistent with the CapEx-sharing methodology in Great Plains' proposal.

Consistent with Commissioner Schram's proposal, Chairwoman Ridder also introduced the concept of the Commission providing "a predictable amount at the back end,"[14] presumably meaning the completion of construction projects based on a specific amount of pre-determined NUSF CapEx support by the Commission. As with Commissioner Schram's proposal, it is assumed that Chairwoman Ridder's "predictable amount" of support refers to the remaining CapEx costs not recovered by carriers with the 10 years of A-CAM CapEx funding that the carriers provide in advance of receipt of much of that support. Mr. Pfister confirmed that Chairwoman Ridder's proposal would be "an improvement" to the existing Commission Proposal.[15]

[13] Tr. 37:8-12; 82:22-83:5.

[14] Tr. 84:19-21.

[15] Tr. 84:22-23.

If these assumptions are correct, Great Plains supports either structure proposed by Chairwoman Ridder or Commissioner Schram for providing CapEx support. Great Plains has no issue with whether supplemental CapEx support is provided before or after completion of a project, or a combination thereof, and stands by its consistent commitment to utilize NUSF support prescribed for buildout for that exact purpose. However, it is essential that the amount of CapEx support available to a carrier is: (1) predictable and announced by the Commission well in advance of the upcoming construction season to enable a carrier time to plan and secure financing; (2) supported by the Commission and confirmed each year in a timely order so that NUSF budget is available to compensate carriers for their construction costs; and (3) is set at a level large enough (given expected increased remittances due to NUSF contributions reform) to enable a carrier to make meaningful inroads in broadband deployment each year.[16] Great Plains also requests that the Commission's commitment to this CapEx support is documented so a carrier can rely on the Commission order in this proceeding and the annual CapEx distribution order as collateral in seeking financing for projects and a lender is certain of this partial source of repayment. The Commission has positively recognized carriers that sought debt financing to build broadband; Great Plains wishes the ability to do the same to serve its customers in high-cost capped locations.

Whether provided before or after deployment, any methodology that provides carriers with the assurance of recovery of the remaining high costs of deployment to capped locations in

[16] It is presumed that the CapEx support for capped locations proposed by Chairwoman Ridder and Commissioner Schram would become part of the overall ROR carriers' NUSF budget, in addition to ongoing support for locations already built at 25/3 Mbps, legacy or A-CAM, and Broadband Deployment Support for eligible unserved legacy locations and non-A-CAM eligible locations. However, ongoing support for capped A-CAM locations would only be provided for operating expenses, since the Commission will have already made supplemental CapEx support available for completion of projects based on SBCM costs. In order to receive this support, carriers would report completed projects to the HUBB and to the Commission's satisfaction.

addition to what they will receive as A-CAM support would give carriers predictability to undertake construction to customers in capped locations. [17]

B. The Record Confirms That the Commission's Existing Proposal Will Not Accomplish Broadband Deployment to Customers in Capped Locations

Mr. Robbins testified with regard to the Commission's Proposal, but provided no testimony on proposals that recommended up-front NUSF funding for CapEx. The hearing record, including Mr. Robbins' own testimony, provides support for the conclusion that the Proposal will not result in broadband deployment at 25/3 Mbps to customers in capped locations.

Mr. Pfister testified that the Proposal "assures the Commission of getting little to no broadband buildout in capped areas,"[18] as it provides no certainty for carriers as to the level of NUSF support they would receive year to year to recover their investments in capped locations. Mr. Pfister introduced a confidential exhibit supporting this conclusion as it pertains to Great Plains, and stated the exhibit shows that based on SBCM costs (which the Commission is utilizing to establish the costs to construct broadband to capped locations) Great Plains would need to invest more than $75 million in addition to advancing all of its 10 years of A-CAM CapEx support to deploy 25/3 Mbps service to its 6,166 SBCM capped locations.[19] Assuming a hypothetical $3 million annual funding of ongoing NUSF support for Great Plains, Mr. Pfister

[17] RIC witness Dan Davis similarly testified that companies serving capped locations need predictable supplemental NUSF support on a prebuild basis in order to incentivize buildout to those customers. (Tr: 26:21-24; 27:6-12). Mr. Davis also highlighted RIC's accountability proposals, most recently in its March 7, 2019, Comments in which carriers would be required to build out locations to 25/3 Mbps and report buildout plans and completion to the Commission, would be subject to Commission audit, and would face a reduction of NUSF support if deployment is not completed. (Id. 28:23-29:12). Great Plains supports Mr. Davis' recommendations.

[18] Tr. 82:4-5.

[19] Tr. 73:9-18.

testified that it would require "more than 52 years of NUSF support at that level to recoup that investment," a decision that no "prudent management of any business" would make, nor should policymakers desire a carrier to make.[20]

To be clear, the record demonstrates that under the Proposal, Great Plains would become eligible for an unknown amount of NUSF support in a given year only *after* it completes construction of 25/3 Mbps-capable fiber facilities to any of its 6,166 capped locations that require an average investment of **REDACTED** per location. Ultimately Great Plains would have to invest more than $75 million of its own funds to build to all of these capped locations, and would have to expend its A-CAM CapEx-related funding prior to receipt of some or most of those funds. Understandably, the Proposal must be abandoned by the Commission and another approach, such as the proposals by Great Plains, Commissioner Schram or Chairwoman Ridder, should be adopted in the upcoming final findings and conclusions to be entered in this docket.

Mr. Robbins provided testimony that in fact corroborates Mr. Pfister's testimony and conclusions that the Proposal will not result in additional broadband deployment to capped locations. He stated that after buildout to a capped location is completed, the Commission "would pay some portion of that leftover [SBCM] cost at a level that is commensurate with what it pays for other non A-CAM areas that have been built to 25/3."[21] According to Mr. Robbins, based on current NUSF funding, that amount is currently "18 cents of every dollar" of modeled cost, and if all capped locations were built to at 25/3 Mbps, based on that 18 cents "the

[20] Tr. 73:20-74:5.

[21] Tr. 13:23-14:2.

commission would pay approximately $5.2 million," an amount that would be the maximum paid to capped locations.[22]

Great Plains performed its own calculation of payback period for the more than $75 million in investments it would need to make, in addition to 10 years of A-CAM funding it would advance, based on Mr. Robbins' "18 cents of every dollar" each year. The payback period, as shown below partially redacted Table 1, would be 51 years, which is very close to the greater than 52-year payback period Mr. Pfister presented in Confidential Exhibit 3.[23]

Table 1

Ln		Source	Amount
1	Total GPC Investment - Net of A-CAM Support and Benchmark	Pfister Testimony Exhibit 3	REDACTED
2	GPC remaining annual OpEx + CapEx above $252.50	Calculation	REDACTED
3	NUSF Funding %	Mr. Robbins' Testimony	0.18
4	GPC Add'l NUSF @ 18%	Ln 2 * Ln 3	REDACTED
5	Estimated Capex %	Pfister Testimony Exhibit 3	50%
6	NUSF per Year for CapEx	Ln 4 * Ln 5	REDACTED
7	Payback in Years	Ln 1 / Ln 6	51

Again, with such a lengthy payback period, neither Great Plains nor any prudently-managed business would make such investments. Thus, the evidence shows that the Policy, as proposed, will not incent broadband deployment to customers in capped locations.

Mr. Davis, the RIC witness, reached a similar conclusion as to the inadequacy of Mr. Robbins' proposed 18 cents recovered annually of every dollar spent. He explained that the CapEx cost estimated in SBCM "is a monthly amount that's spread out over the life of the asset,"

[22] Tr. 15:9-16.

[23] Tr. 73:20-74:2.

in the case of fiber being 20 to 25 years,[24] and that the Proposal will not incent investment in the remaining costs required for buildout:

> Well, I can tell you if I'm an individual investor in that company and I know I'm only going to get 18 cents on the dollar – that's not 18 cents above the dollar. You're not going to get $1.18. You're going to get 18 cents for every dollar you invested. I'm not investing in that project if I'm going to get 18 cents on my dollar. You're losing 82 cents for every dollar you invested.[25]

Mr. Davis further stated that in order to invest in capped locations, A-CAM carriers would need to have the confidence to recover 100 percent of these investments. He stated that "… if we know how much money's available, then we'll know how many locations to build to. That takes away the uncertainty and unpredictability."[26]

The proposals from Commissioner Schram and Chairwoman Ridder for determining and ultimately providing a certain amount of NUSF CapEx support for build out of capped locations are consistent with Mr. Pfister's and Mr. Davis' testimonies. A methodology consistent with these testimonies should be used for NUSF funding a specific amount of CapEx costs each year to truly incent carriers to build fiber-based broadband to A-CAM capped locations.

IV. The Commission Uses SBCM To Determine Costs Eligible for NUSF Support, and the Record Demonstrates SBCM Costs are Comparable to Carriers' Actual Costs

The Commission has previously approved the use SBCM, which is derived from the A-CAM model, to determine the relative costs for building fiber-based broadband networks.[27] In

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[24] Tr. 35:3-13.

[25] Tr. 36:18-37:1.

[26] Tr. 41:2-11; 42:1-5.

[27] *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. 3, Findings and Conclusions (Nov. 19, 2018), at 36 (the "*P.O. #3 Findings and Conclusions*").

the *P.O. # 3 Findings and Conclusions*, the Commission observed that RIC and the Rural Telecommunications Coalition of Nebraska supported adoption of SBCM, including its division of costs between CapEx and OpEx[28] Thus the Commission has concluded that the costs contained in SBCM are reasonable for determining NUSF-eligible costs and distributing available support. The fact that the Commission uses SBCM for NUSF purposes is also an indication that the Commission understands the CapEx support provided by A-CAM alone is insufficient to cover the cost of fiber construction to customers in capped locations without supplemental funding.

Great Plains has continuously supported use of SBCM. However, Great Plains found in its cost analysis in this proceeding that the Commission staff utilizes carriers' SBCM investment data which has not been made available to individuals or carriers who signed the Commission's Supplemental Protective Order for Access to the CostQuest State Broadband Cost Model.[29] CostQuest is the firm that developed A-CAM for the FCC and its derivative model, SBCM, licensed by the Commission. Therefore, Great Plains placed into the record the SBCM investment data for all ROR carriers that it received from Commission staff so affected carriers would be aware of and have access to this information should they choose.[30] Mr. Pfister also presented Confidential Exhibit 2, which is an SBCM-based analysis of the total investment required for build out of each A-CAM-electing ROR carrier's capped locations with costs above

[28] *Id.* at 35-36. The Commission also noted that Charter and Cox "have no reason to conclude that its [SBCM] relative estimate of OpEx and CapEx is flawed."

[29] *See In the Matter of the Nebraska Public Service Commission, on its own Motion to consider revisions to the Universal Service Fund Contribution Methodology*, Application No. NUSF-100/PI-193, Supplemental Protective Order for Access to the CostQuest State Broadband Cost Model (Dec. 8, 2015).

[30] Tr. 60:2-11.

the A-CAM funding cap of $252.50 monthly.[31] These data demonstrate that Great Plains' total investment required to build fiber to all capped locations "is by far the largest" among all ROR carriers, and that it would be "prohibitive" to undertake construction to these capped locations without certainty of annual NUSF CapEx funding.[32]

Despite the Commission's 4-1 decision approving the *P.O. #3 Findings and Conclusions*, including using SBCM as its basis for determining NUSF allowable costs and distributions, Chairwoman Ridder (who voted with the majority) asked Mr. Pfister about the accuracy of the model, posing a question as to whether "it's computed within a vacuum" and is "not exact."[33] Mr. Pfister responded that the FCC developed the model over a period of "years and years" and received "significant input from industry as to how [sic] networks are constructed and what kind of network would need to be constructed to provide fiber to the home, to all locations ultimately in the nation."[34] To support Mr. Pfister's testimony, Attachment 1 to these Comments provides a timeline of the FCC proceedings spanning from *2011 to 2016* to develop and finalize the price cap carriers' Connect America Model and the ROR carriers' A-CAM. The five years of analysis and data gathering that became part of the record that the FCC assembled obviously shows these models were extremely well vetted and were not developed in a so-called "vacuum."

To more specifically provide additional evidence as to the accuracy of CapEx costs in A-CAM (and SBCM, which is derived from A-CAM) for deployment of fiber-based broadband, Mr. Pfister also discussed an FCC ex parte that Great Plains and the Consolidated Companies of

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[31] Tr. 71:20-72:10.

[32] Tr. 72:14-17, 22-25.

[33] Tr. 93:22-23; 94:19.

[34] Tr. 95:3-10.

Nebraska presented in meetings at the FCC in November 2018. He testified that the carrier-specific costs filed with the FCC showed the carriers' actual costs are "quite consistent" with A-CAM costs.[35] As requested by Commission General Counsel, Shana Knutson, that filing, including the ex parte letter and presentation, is included with these Comments as Attachment 2. Page 4 of the presentation provides the average CapEx cost per location for both Great Plains and Consolidated based on a sample of fiber construction projects they have completed.[36] As can be seen, the average cost per location of these projects was reasonably comparable to, and in Great Plains' case actually higher than, the A-CAM average CapEx costs. These data provide additional evidence to support the Commission's prior decision in adopting SBCM for use in NUSF proceedings, and to augment the record demonstrating that SBCM CapEx costs are representative of actual costs that carriers incur to build fiber-based broadband to capped locations.

V. The Policy of the Nebraska Legislature is that State Resources Should Ensure that All Rural Customers Have Access to Broadband at 25/3 Mbps

The record in this proceeding is indisputable. Most customers located in capped locations served by A-CAM-electing ROR carriers will not have access to 25/3 Mbps broadband as required under state law without a change in the Policy set forth in the *P.O. # 4 Further Comment Order*. As Mr. Pfister testified, the Proposal "predetermines that many rural customers in Nebraska will not receive broadband at 25/3 speeds required by state policy."[37]

Great Plains respectfully reminds the Commission of the directives of the Nebraska Legislature contained in the following statutes, as raised at the hearing:

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[35] Tr. 89:18-25.

[36] *Connect America Fund et al.*, WC Docket Nos. 10-90, 14-58, 07-135, and CC Docket No. 01-92, letter and presentation filed by Carol E. Mattey, Principal, Mattey Consulting LLC, on behalf of Great Plains Communications and the Consolidated Companies (Nov. 16, 2018).

[37] Tr. 74:18-21.

- Section 86-317 of the Nebraska Telecommunications Universal Service Fund Act (the "NTUSF Act") authorizes the Commission to supplement federal support and ensure that all Nebraskans, without regard to their location, have comparable access to services at affordable prices.[38]
- Section 86-1101 (passed as LB994 in 2018) states the Legislature's intention that broadband in rural areas should be comparable in download speed and price to urban areas and that state resources should be utilized to ensure that rural residents should not be penalized because of their rural residence.[39]
- Sections 86-323 and 324 of the NTUSF Act require that the NUSF encourage the continued deployment and maintenance of telecommunications infrastructure and that eligible telecommunications carriers receive state support for provision, maintenance and upgrading of facilities and services to high cost areas.[40]

The path for the Commission to follow in heeding the Legislature's directives is clear. Supplemental NUSF support to achieve broadband deployment to capped locations must be predictable with support amounts known by an A-CAM-electing ROR carrier prior to undertaking construction.[41]

VI. Conclusion

Great Plains urges the Commission to adopt a methodology for incenting buildout to capped locations served by A-CAM-electing ROR carriers that will provide a specific amount of

[38] Tr. 76:3-9.

[39] Tr. 76:10-20.

[40] Tr. 77:13-20.

[41] Tr. 80:1-3.

NUSF CapEx support annually to supplement the 10 years of A-CAM CapEx support a carrier will ultimately receive. Doing so will ensure a carrier has assurance over many years of the availability of consistent amounts of NUSF support so the carrier can plan the multiple years of construction that will be required to extend and operate networks in these very rural parts of the state. That support may be distributed before and/or after completion of construction in a given year, as long as the amount is known in advance so a carrier may, if necessary, seek financing with the knowledge that this source of funding is certain.

Great Plains also supports the Commission staff's recommendation to make ongoing NUSF support available to capped locations that are built out at 25/3 Mbps, and those locations should include locations built with supplemental NUSF CapEx funding.

Finally, Great Plains also supports the Commission staff's recommendation to provide ongoing support in 2019 for capped locations previously built to 25/3 Mbps, and urges continuation of such support for these locations in future years.

The recommendations in these Comments, including adoption of either proposals made by Chairwoman Ridder, Commissioner Schram, Great Plains or RIC, will be instrumental in achieving inroads in bridging the digital divide to customers in capped A-CAM locations, which are among the highest cost areas of the state. Great Plains appreciates the Commission's consideration of these recommendations and is hopeful the Commission will take the actions necessary to truly incent deployment to these rural Nebraskans in the coming years.

Dated: May 29, 2019 Great Plains Communications LLC

By: ______________________________

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 29th day of May, 2019, an electronic copy of the foregoing pleading was delivered to:

Nebraska Public Service Commission
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Other Commenting Parties

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Nicholas Holle

ATTACHMENT 1

Timeline of FCC Proceedings To Develop Connect America Model and Alternative Connect America Model

Key Events and Dates in the FCC's Connect America Fund ("CAF") Proceeding

The FCC's CAF proceeding (WC Docket No. 10-90) began in 2011 and is ongoing. The model part of the docket is extensive and comprehensive. Additional documents associated with the model process can be found in the links below:

https://www.fcc.gov/general/price-cap-resources
https://www.fcc.gov/general/rate-return-resources

REPORT AND ORDER AND FURTHER NOTICE OF PROPOSED RULEMAKING
Released: November 18, 2011

USF/ICC Transformation Order

DA 12-869 Released: June 1, 2012

Wireless Competition Bureau ("WCB") issues progress report on the Connect America Fund (CAF) Phase II Model

REPORT AND ORDER Released: April 22, 2013

Model Platform Order

The Commission addresses the model platform, which is the basic framework for the model consisting of key assumptions about the design of the network and network engineering.

DA 13-1112 Released: May 16, 2013

WCB seeks comment on options to promote rural broadband in rate-of-return areas.

Voluntary Election of Connect America Phase II Model-Based Support

REPORT AND ORDER Released: April 22, 2014

Model Input Order

FCC finalizes decisions regarding the engineering assumptions contained in the Connect America Model and adopts inputs necessary for the model to calculate the cost of serving census blocks in price cap carrier areas.

REPORT AND ORDER, DECLARATORY RULING, ORDER, MEMORANDUM OPINION AND ORDER, SEVENTH ORDER ON RECONSIDERATION, AND FURTHER NOTICE OF PROPOSED RULEMAKING Released: June 10, 2014

In the FNPRM, the FCC focuses on developing and implementing a "Connect America Fund" for rate-of-return carriers. The FCC seeks comment on reform proposals that would address a number of the identified shortcomings in the current support mechanisms that provide support to rate-of-return carriers.

DA 14-1884 Released: December 22, 2014

WCB announces availability of Version 4.2 of the Connect America Phase II Cost Model (price cap carriers) and the first version of an alternative cost model (ultimately A-CAM) being developed for potential use in rate-of-return areas.

Alternative Connect America Cost Model Overview April 1, 2015

WCB presentation of A-CAM

https://transition.fcc.gov/wcb/ACAM040115.pdf

DA 15-869 Released: July 29, 2015

WCB announces upcoming modifications to the Alternative Connect America Cost Model ("A-CAM").

In this release the WCB engages in:

- updating existing competitive coverage in the A-CAM to reflect the most recent submission of FCC Form 477 data from voice and fixed broadband providers.
- adjusting the middle-mile cost calculation to reflect connections to publicly available internet access points.
- working on a code change to enable users to specify study area specific plant mix input values.

REPORT AND ORDER, ORDER AND ORDER ON RECONSIDERATION, AND FURTHER NOTICE OF PROPOSED RULEMAKING Released: March 30, 2016

The FCC adopts a voluntary path under which rate-of-return carriers may elect model-based support for a term of 10 years in exchange for meeting defined build-out obligations.

ORDER Released: July 25, 2016

WCB concludes the A-CAM streamlined challenge process and makes a final determination regarding the broadband coverage data that will be incorporated into the final version of the model for purposes of the voluntary election of model-based support.

DA 16-869 Released: August 3, 2016

WCB announces support amounts offered to rate-of-return carriers.

ATTACHMENT 2

Great Plains Communications LLC and Consolidated Companies (of Nebraska) FCC Ex Parte Presentation Regarding Average CapEx Costs Per Location

[See attached]

Attachment 2

MATTEY

CONSULTING LLC

5904 Devonshire Dr.
Bethesda, MD 20816
240.461.7816

November 16, 2018

Via ECFS – Notice of Ex Parte Communications

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Connect America Fund et al.*, WC Docket Nos. 10-90, 14-58, 07-135, and CC Docket No. 01-92

Dear Ms. Dortch:

On November 14, 2018, Ken Pfister of Great Plains Communications, Wendy Thompson Fast of Consolidated Companies (collectively, Nebraska A-CAM Companies), and I met separately with Nick Degani (in person) and Preston Wise (by telephone) of the Office of Chairman Ajit Pai; Arielle Roth of the Office of Commissioner Michael O'Rielly; and Sue McNeil, Alex Minard, Suzanne Yelen, Ted Burmeister, and Talmage Cox of the Wireline Competition Bureau (Bureau) regarding the pending Notice of Proposed Rulemaking in the above-referenced proceeding.[1]

During the meeting, we discussed the deployment obligations associated with a voluntary offer of additional funding up to $200/month per location for existing A-CAM recipients. We focused on the impact on low-density A-CAM companies, as previously defined by the Commission in the *2016 Rate-of-Return Reform Order* (less than 5 locations per square mile), of potentially increasing the 25/3 Mbps deployment obligation. The Nebraska A-CAM Companies noted that there are 72 low-density A-CAM companies in 23 states across the country. Even with an increase in support to $200/location, A-CAM support does not cover the full cost of serving these low-density areas. Averaging across the nation, on an annual basis, A-CAM support at $200/location provides cost recovery for only 55 percent of model-determined costs for low-density companies.

The Nebraska A-CAM Companies explained that in evaluating whether to accept a potential new offer of support up to $200/location with additional deployment obligations, A-CAM companies will evaluate whether the incremental increase in support is sufficient to cover the incremental increase in capital investment (capex) to build the network capable of meeting the new service obligations. In particular, existing A-CAM companies will consider the level of support, the number of years of support, and the specific performance obligations to

[1] *Connect America Fund et al.*, Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, WC Docket No. 10-90 *et al.*, FCC 18-29 (rel. Mar. 23, 2018).

determine whether to accept a new offer.

For low-density companies, a requirement to offer 25/3 Mbps, generally speaking, means that companies must deploy fiber-to-the-home. Very high-bit-rate digital subscriber line (VDSL) is generally not an option for low-density companies because there are too few locations per node for VDSL to make economic sense. Many low-density companies therefore would have to deploy significantly more fiber – an asset with a 25-year economic life – to meet an increased 25/3 Mbps deployment obligation.

The Nebraska A-CAM Companies emphasized the deployment obligations must be appropriately sized to match the amount of support provided, taking into account density differences among companies. They proposed a methodology to adjust the existing deployment obligations for A-CAM recipients, based on estimated capex from the A-CAM model. They believe this is a reasonable approach, noting that their per-location actual capex cost to deploy fiber-to-the-home, based on an analysis of a sample of past and ongoing construction projects in their respective companies, is close to the per-location capex as determined using the A-CAM model.

Because users of the model do not have access to detailed capex data in the model, the Nebraska A-CAM Companies estimated the weighted average capex per location for all low-density companies based on annual costs in the A-CAM model, as follows:

$$\begin{aligned} &Weighted\ Average\ Cost\ per\ Location \\ &\qquad = \left(Annual\ Cost_{Fully\ Funded\ CB} \times CapEx\ \% \times Weighted\ Average\ Economic\ Life\right) \\ &\qquad \div Locations_{Fully\ Funded} \end{aligned}$$

Using the above equation, the weighted average capex per location for low-density companies as a group was estimated to be $19,894 per location.

If the Commission were to provide an increase in A-CAM support up to $200/location, starting in 2019, and provide support at that level for a full ten years (i.e. until the end of 2028, which would be an additional two years after the conclusion of the current term for A-CAM), a reasonable revised deployment obligation for low-density companies would be to offer 25/3 Mbps service to 50 percent of the count of their fully funded locations. Fifty percent represents the break-even point for low-density companies as a group, where the incremental additional support is sufficient to cover the incremental increase in capex needed to meet the new deployment obligation. If the required percentage were significantly higher than this, it would not be economically viable for many low-density companies to accept this new obligation. Given the overall increase in the count of fully funded locations, an increase to 50 percent would more than double the required 25/3 Mbps deployment obligation for low-density companies, compared to their current obligations.

The Nebraska A-CAM Companies emphasized that they want to build networks that are capable of offering their customers higher speeds in the future as consumer demand and new applications warrant. For low-density companies, a requirement to offer 25/3 Mbps to an increased number of locations essentially would make 25/3 Mbps the floor, not the ceiling, for the services they would be able to offer to those locations using fiber-to-the-home.

The PowerPoint presentation entitled "Deployment Obligations Should Recognize Cost Differences Among Current A-CAM Companies" was distributed and discussed at all three meetings. In addition, the network diagram "Example of Fiber-Fed Node that Would be Eliminated if 25/3 Were Required" was distributed and discussed in the meeting with the Office of the Chairman and the Bureau to explain what facilities could be repurposed when an exchange currently engineered to offer 10/1 Mbps is upgraded to 25/3 Mbps, and what costs (such as the initial engineering for the 10/1 Mbps network and bringing electricity to the node) are sunk.

Please do not hesitate to contact the undersigned if there are questions regarding this submission.

Respectfully submitted,

/s/

Carol E. Mattey
Principal
Mattey Consulting, LLC

Attachments

Deployment Obligations Should Recognize Cost Differences Among Current A-CAM Companies
Example of Fiber-Fed Node that Would be Eliminated if 25/3 Were Required

cc: Nick Degani
Preston Wise
Arielle Roth
Sue McNeil
Alex Minard
Suzanne Yelen
Ted Burmeister
Talmage Cox

Deployment Obligations Should Recognize Cost Differences Among Current A-CAM Companies

Ken Pfister, Great Plains Communications

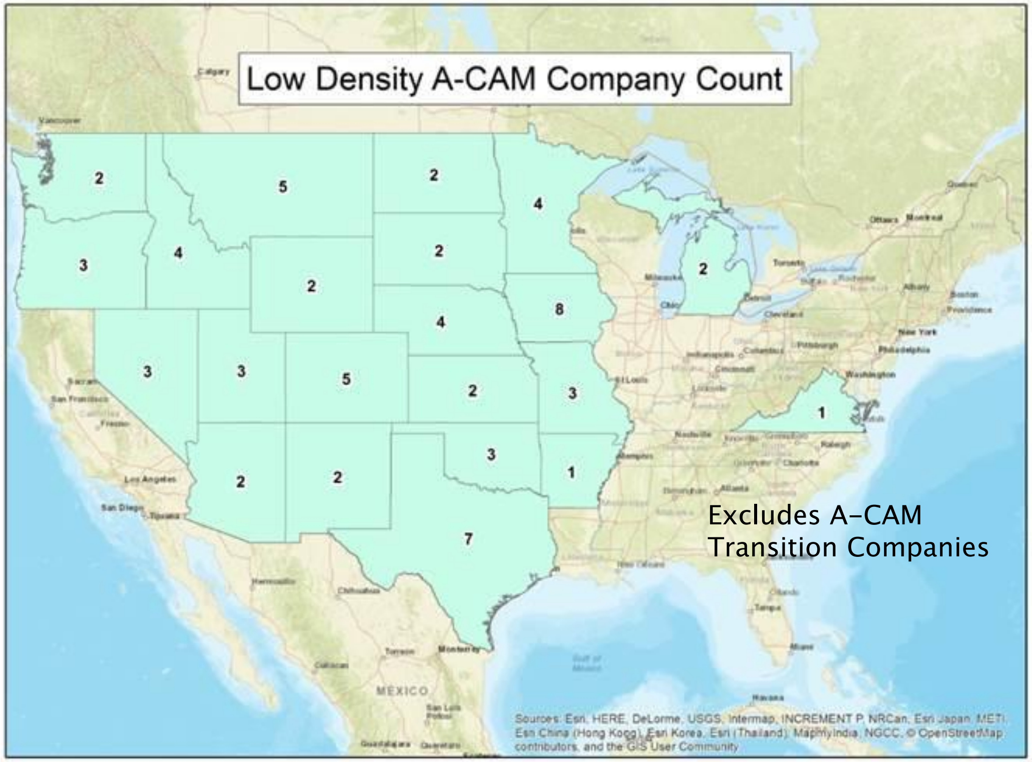
Wendy Thompson Fast, Consolidated Companies

Carol Mattey, Mattey Consulting LLC

November 14, 2018

Low-Density Companies Are Concentrated in States with Low Cost Recovery

State	Statewide % Cost recovered from ACAM support @ $200
NV	33.3%
WY	42.7%
NM	44.2%
MT	47.5%
UT	48.6%
OR	50.9%
AZ	51.5%
WA	57.1%
ID	57.7%
TX	57.8%
CO	58.1%
NE	59.0%
AK	61.6%
OK	67.8%
KS	69.4%
ND	70.1%
SD	72.1%
MI	72.2%
MO	77.2%
MN	81.8%
IA	83.2%
AR	87.1%
VA	89.2%

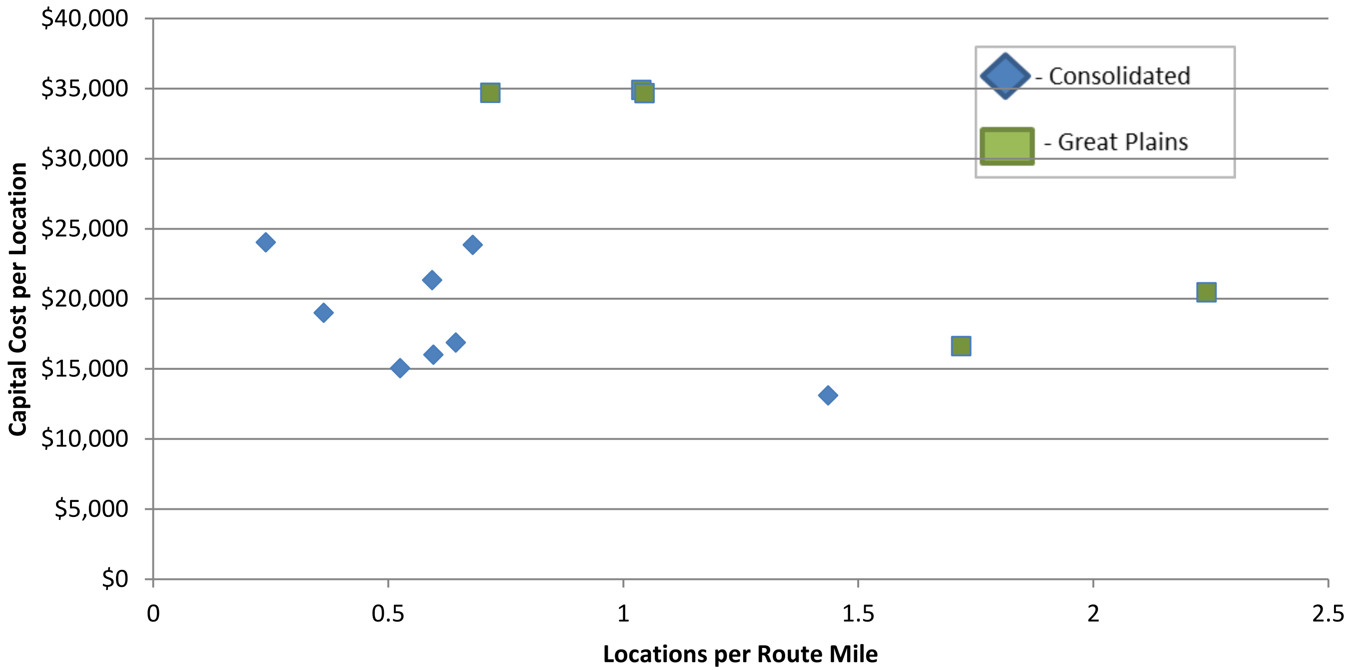


- One-third of A-CAM companies are low density
  - Low Density: less than 5 locations per square mile
- 72 low-density companies are located in 23 states

Deployment Obligations Must Be Realistic for Low-Density Areas

- Companies will consider whether incremental support is sufficient to cover incremental capital expenditures for new obligations
  - Level of funding
  - Number of years of funding
  - Required deployment levels
- To achieve 25/3 Mbps, fiber-to-the-home is required in low-density areas whereas VDSL could be used in some medium- and high-density areas
- In low-density areas, the cost to deploy is higher and the investments have a longer economic life
  - Electronics: 11 year asset
  - Fiber: 25 year asset

A-CAM Capital Costs Are Consistent with Those of Nebraska Companies



Capital Cost per Fully Funded Location	Consolidated	Great Plains
A-CAM	$18,497	$22,363
Weighted Average of Actual Projects	$17,432	$24,701