

Achieving Meaningful Rate-of-Return USF Reform

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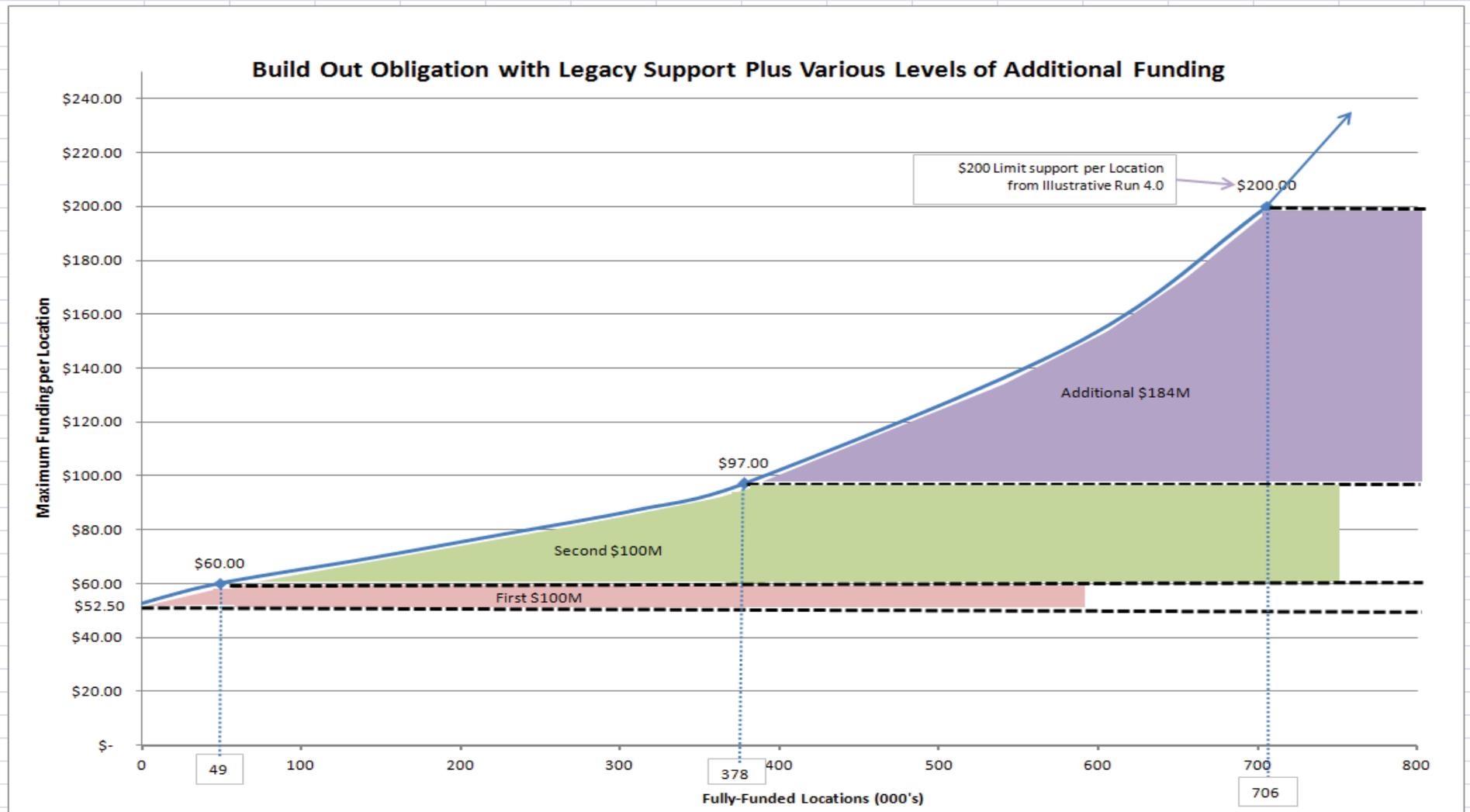
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Deploying “25 / 3 Mbps” Broadband to Rural America Is the Goal of Reform

- ▶ \$200 million of additional support means...
 - more companies will opt for the model
 - more locations will be served
 - better geographic diversity will be achieved
- ▶ The amount of additional support is important to achieve meaningful broadband deployment with the model
 - \$200 M will result in nearly an eight-fold increase in the number of locations being built as compared to \$100 M
 - A mere 49 K locations nationwide will be built with \$100 M
 - \$384 M is needed to fund each location at \$200—the per location funding cap shown in the Illustrative Run*
 - Even at \$384 M, over 364 K locations nationwide will not be fully funded
- ▶ Universal Service policy should be aimed at reaching high-cost customers who will otherwise not be served

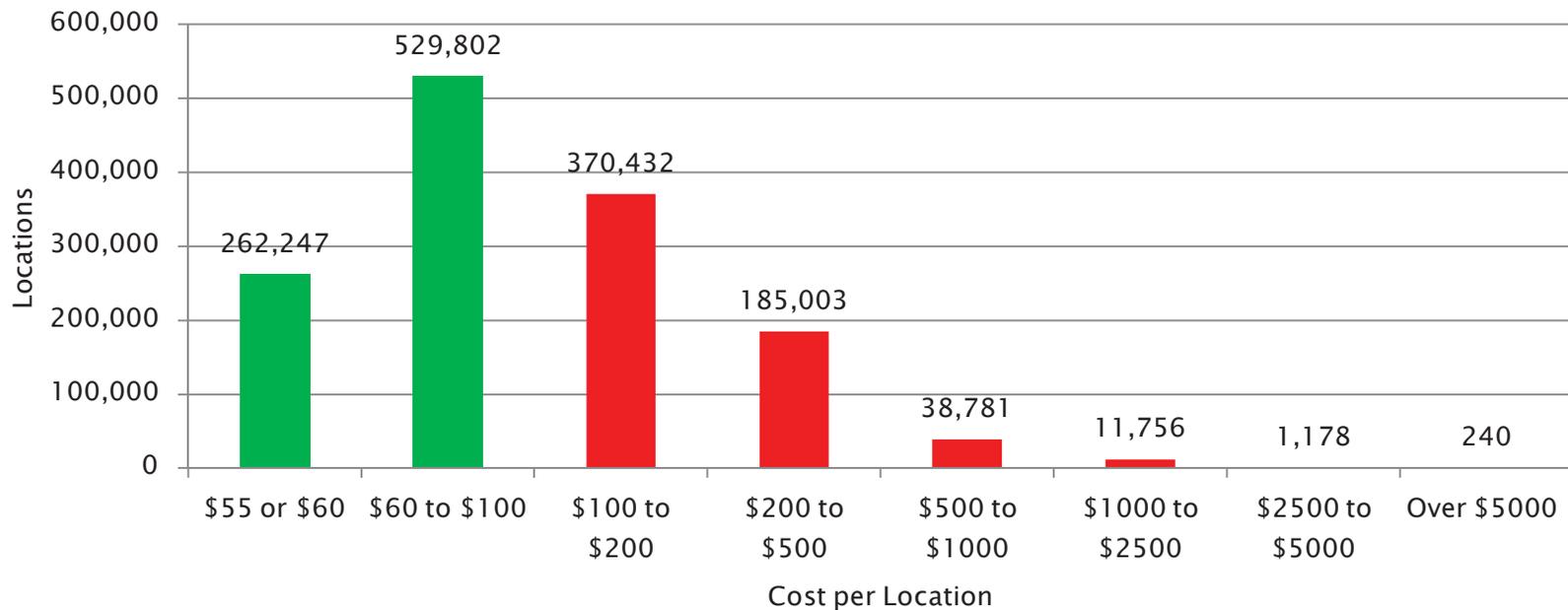
*A-CAM 2.1 Report 4.2

More Additional Support Means Many More Customers Will Be Served



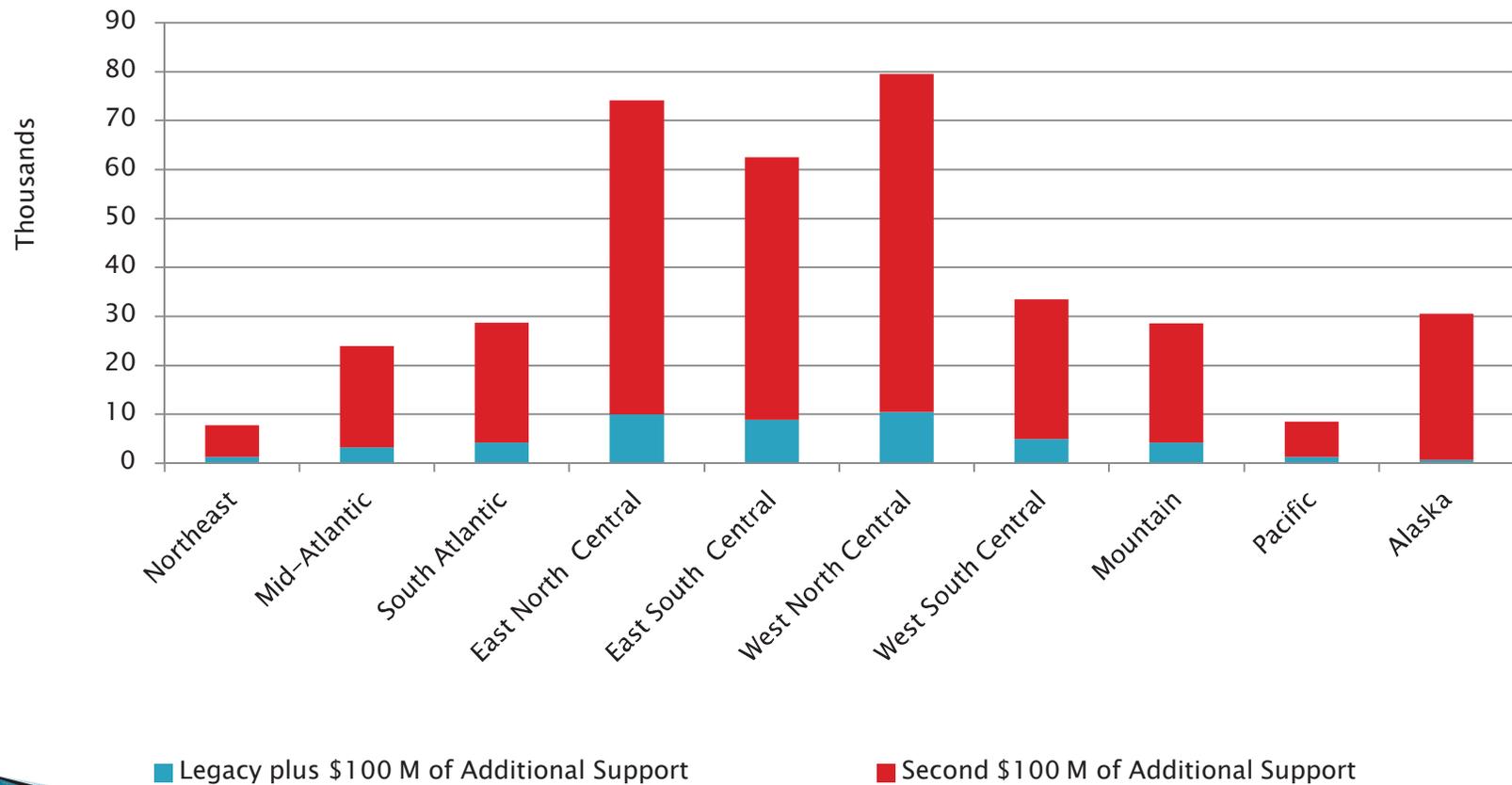
Even at \$200 M of Additional Funding, Many Locations Will Be Partially Funded

A-CAM Cost Groups

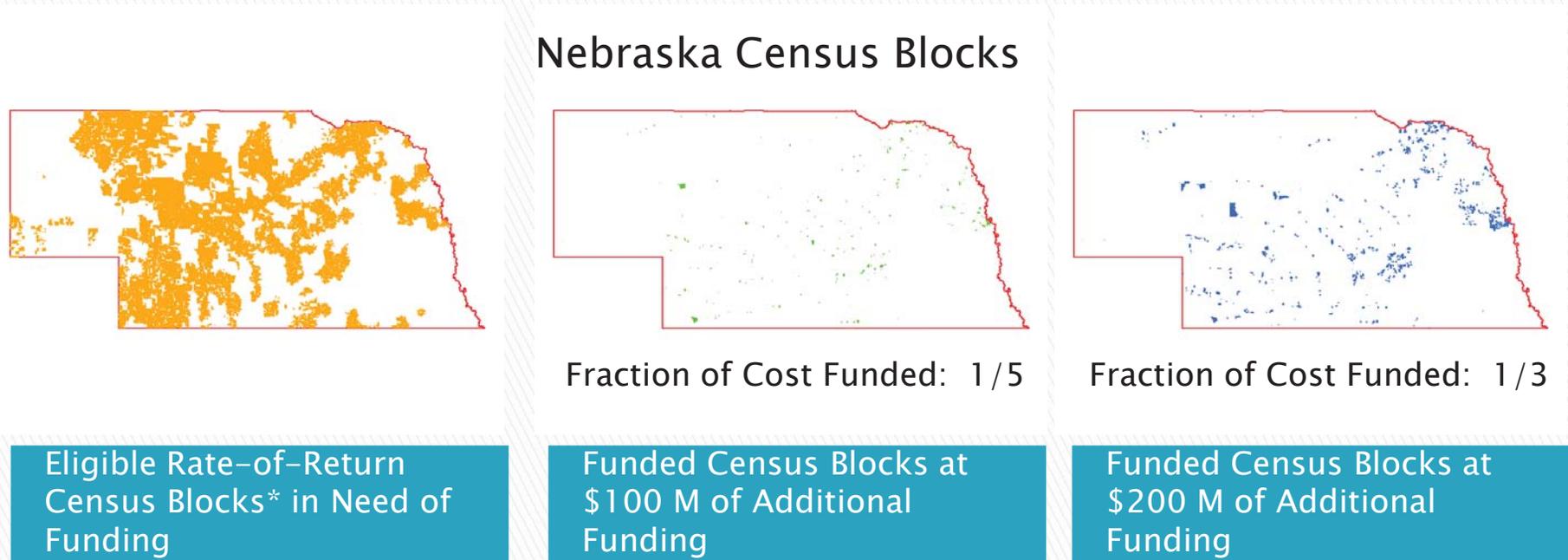


- \$200 M of additional funding fully funds only the first two columns

\$200 M of Additional Support Will Result in Deployment in Higher-Cost Areas Across the Entire Country



The Disparity Between Need and Proposed Funding for Broadband



- In high-cost states, such as Nebraska, additional funding will serve more areas but certainly not all

* An eligible census block has cost greater than \$52.50/month, is not served by a wireless or cable competitor and does not have FTTP. The green and blue maps show all eligible census blocks at various additional funding levels, even census blocks of rate-of-return companies that would not opt for model support. Since not all companies will opt for model support, the census block areas required to be built will be smaller.

Model Support Should Not Be Provided to FTTP or Cable Locations

- ▶ The model is extremely valuable for targeting funds to those areas that currently do not have adequate broadband
- ▶ Customers with FTTP are well served already
- ▶ Funding of already well-served locations diverts limited model budget away from unserved customers and creates a mismatch between model support and historical recovery
- ▶ FTTP investment recovery and associated operating expenses will continue to be funded under legacy universal service
- ▶ With the legacy reforms under consideration, broadband-only lines will qualify for funding

Conclusions

- ▶ The Commission should immediately:
 - Move forward with rate-of-return USF reform including a model option
 - Allocate additional funding of at least \$200 million annually for model support*
 - Adopt the 4.2 Illustrative Run approach to eliminate model support for those locations already served by FTTP or cable
 - Require that a significant number of fully-funded locations receive broadband speeds of at least “25/3 Mbps”

*Model electing companies also receive their legacy support