

Achieving Meaningful Rate-of-Return USF Reform

On Behalf of the Nebraska Companies

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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

Preserving Model Support for Areas With Many Unserved Locations

- ▶ Model support should be limited to
 - locations without FTTP and
 - companies with lower build-out percentages
- ▶ Limiting companies eligible to receive model support to those below a specific build-out percentage will allow scarce model funds to be directed to areas most in need
- ▶ The lower the cutoff is set for the build-out percentage, the higher the support limit per location
- ▶ A company's build-out percentage for this purpose should be based on eligible locations, not total locations
 - Eligible locations reflect the area being funded
 - Total locations are skewed by the size of the towns and cities included in the study area

Build-Out Cutoff for Opting into Model	Estimated Support Limit per Location*
No Cutoff	\$97
98%	\$105
95%	\$113
90%	\$120

*Calculated using \$200 M in additional funding and assuming companies select model support if it is \$1 greater than legacy support.

As Additional Funding Increases, More Build-Out Is Required

Additional Funding Provided	% of Support Directed To	
	Build-Out Requirement	Best Effort
\$100 M	0.5%	99.5%
\$200 M	20%	80%
\$384 M	83%	17%

- ▶ The build-out requirement reflects the number of locations with an A-CAM cost less than the support limit; thus as the support limit increases so too does the build-out requirement
- ▶ Only those locations that are fully funded should be required to deploy FTTP technology
- ▶ No rate-of-return location should be subject to the RAF and denied 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