

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

In the Matter of the Application of LTD
Broadband LLC for Designation as an Eligible
Telecommunications Carrier for Purposes of
Receiving Federal Universal Service Support

TC21-001

**REBUTTAL TESTIMONY OF COREY
HAUER**

1 BACKGROUND OF THE WITNESS AND LTD BROADBAND LLC

2 **Q: STATE YOUR NAME, EMPLOYER, AND YOUR BUSINESS ADDRESS.**

3 A: I am Corey Hauer. I am the Chief Executive Officer of the applicant LTD Broadband LLC
4 (“Applicant” or “LTD”). My business address is 69 Teahouse Street, Las Vegas, NV
5 89138.

6 **Q: DID YOU PREVIOUSLY PROVIDE PREFILED TESTIMONY IN THIS**
7 **MATTER?**

8 A: Yes, I filed direct testimony on October 22, 2021 in this docket.

9 **Q. HAVE YOU REVIEWED THE PREFILED TESTIMONY SUBMITTED BY**
10 **SOUTH DAKOTA TELECOMMUNICATIONS ASSOCIATION (“SDTA”) IN**
11 **THIS DOCKET?**

12 A. Yes, I reviewed the prefiled testimony and expert report submitted by Larry Thompson,
13 P.E. on behalf of SDTA. I am offering this rebuttal testimony in response to Mr.
14 Thompson’s prefiled testimony and expert report.

15 **Q. GENERALLY, MR. THOMPSON APPEARS TO OPINE THAT THE**
16 **COMMISSION SHOULD DENY LTD’S APPLICATION BECAUSE LTD’S**
17 **BUSINESS MODEL IS NOT SUSTAINABLE, AND AS A RESULT, IT WOULD**
18 **NOT BE IN THE PUBLIC INTEREST TO GRANT ETC STATUS. BEFORE**
19 **GETTING INTO SPECIFICS OF THE OPINIONS, HOW DO YOU RESPOND TO**
20 **THAT GENERAL CONCLUSION.**

21 A. I disagree completely with Mr. Thompson’s conclusions. As an initial matter, Mr.
22 Thompson misconstrues the scope of the Commission’s review of a request for ETC status.
23 As part of the RDOF review process, the Federal Communications Commission (“FCC”)

1 is evaluating LTD's application to determine whether LTD is reasonably capable of
2 meeting the RDOF program's requirements to build its federally supported network in
3 South Dakota. Mr. Thompson and SDTA apparently suggest that this Commission, rather
4 than the FCC, should evaluate LTD's financial and technical capabilities in this ETC
5 docket. The Telecommunications Act of 1996, however, limits the scope of this
6 Commission's authority when reviewing an ETC application: "A State commission *shall*
7 upon its motion or upon request designate a common carrier that meets the requirements
8 of paragraph (1) as an eligible telecommunications carrier for the service area designated
9 by the State commission. . . ." 47 U.S.C. § 214(e)(2) (emphasis added). Under the plain
10 language of the statute, this Commission must grant LTD's application for ETC status if
11 LTD satisfies the requirements of 47 U.S.C. § 214(e)(1).

12 Second, Mr. Thompson opines that LTD cannot successfully deploy the network it
13 proposes in its RDOF application. Mr. Thompson's views appear to be heavily influenced
14 by his company's work on behalf of rural local exchange carriers ("RLECs") that have a
15 very different business model and cost structure than LTD. In my opinion, Mr.
16 Thompson's lack of experience with entrepreneurial companies risking private capital
17 leads to a biased analysis and outcome. Unlike the companies that have operated in the
18 state for decades and failed to build broadband networks in the areas where LTD won
19 support, LTD can and will deploy and operate its supported network, and will do so in a
20 manner consistent with the FCC's rules once the FCC authorizes RDOF support to LTD.

21 Finally, Mr. Thompson speculates that LTD will fail as a going concern, and this failure
22 will prevent other potential broadband providers from obtaining funding to build out the
23 network necessary to serve the RDOF locations in the areas where LTD is the auction

1 winner. Mr. Thompson wrongly assumes that LTD will fail. But even if he is correct, it
2 cannot be forgotten that these customers currently lack broadband access, including access
3 that could have been provided by SDTA's members. At this time, the timing, amounts,
4 terms, and rules governing future federal or state funding for broadband access are
5 unknown and speculative. Thus, contrary to Mr. Thompson's unsubstantiated claims,
6 granting LTD's application for ETC status is the only way to assure these South Dakota
7 consumers receive broadband service. If the ETC request is denied, LTD will not receive
8 RDOF funding, and LTD will not build its network. Additionally, it remains unknown
9 whether there will be funding in the future to provide broadband service to these customers,
10 so they likely will remain unserved for the foreseeable future if this Commission denies
11 LTD's application. Any suggestion that LTD stands in the way of future federal or state
12 broadband funding programs is pure conjecture.

13 **Q. WHAT ARE SOME OF YOUR SPECIFIC RESPONSES TO MR. THOMPSON'S**
14 **PREFILED TESTIMONY?**

15 A. Starting on page 5 of his prefiled testimony, at lines 1 through 4, Mr. Thompson
16 misconstrues the Commission's role in reviewing ETC dockets. Without providing any
17 authority for his statement, Mr. Thompson states the goal of this docket is to make sure
18 telecommunications providers in South Dakota "have the technical, managerial, and
19 financial ability to provide reliable telecommunications services and continue to do so
20 without failing."

21 Regarding LTD and its RDOF application, Mr. Thompson confuses the role of the FCC
22 and the Commission. As indicated in my opening prefiled testimony, the FCC and its staff
23 will engage in a detailed analysis to confirm whether LTD is reasonably capable of

1 deploying its voice and broadband network consistent with the RDOF requirements and
2 timeline. [REDACTED]

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5 **Q. DOES MR. THOMPSON MISSTATE THE STANDARD FOR GRANTING LTD'S**
6 **APPLICATION ON PAGE 5 OF HIS TESTIMONY?**

7 A. Yes. Mr. Thompson misstates the standard on page 5, line 8. Mr. Thompson states that
8 his analysis will show that granting the Application would not be in the public's "best
9 interests." [REDACTED]

[REDACTED]

20 **Q. IN HIS PREFILED TESTIMONY, MR. THOMPSON REFERENCES A REPORT**
21 **BY THE N.D. PSC STAFF. EXPLAIN TO THE COMMISSION WHAT IT IS HE**
22 **IS REFERRING TO?**

1 A. On page 6 of his prefiled testimony, Mr. Thompson mentions a report from North Dakota's
2 PSC staff. He is correct that the PSC staff recommended denying LTD's ETC designation
3 in that state. But, this was merely a staff report. There has not been a determination by the
4 North Dakota PSC on the application. Further, and more importantly, the Commission
5 Staff in this docket has not filed anything opposing the Application. Nor has the North
6 Dakota PSC staff made any recommendation about LTD's South Dakota ETC application.

7 **Q. MR. THOMPSON MENTIONS AN OCTOBER 20, 2021 ORDER FROM THE FCC**
8 **RELATING TO THE RDOF PROCESS IN IOWA, NEBRASKA, AND NORTH**
9 **DAKOTA. EXPLAIN THE SITUATION IN THAT ORDER.**

10 A. A copy of that order is attached as Exhibit 12. Under the applicable RDOF rules, RDOF
11 applicants were expected to receive ETC designation status for the states where they were
12 auction winners within six months after the release of the FCC's announcement of auction
13 winners, which occurred on December 7, 2020.¹ That deadline was June 7, 2021. The
14 FCC recognized that RDOF provisional winners may need additional time for ETC
15 approval by state commissions, and thus, RDOF provisional winners could apply for
16 waiver of the six-month deadline for ETC status. The FCC has stated that in ruling on the
17 waiver request, it will presume the RDOF applicant acted in good faith in seeking ETC
18 designation if the application for ETC status was filed within 30 days of December 7, 2020,
19 or January 7, 2021.

20 LTD was the auction winner in 15 states. Before the June 7, 2021 deadline to obtain ETC
21 status, LTD was designated as an ETC in seven states, and it was approved in an eighth
22 just a few days after June 7. For North Dakota, Nebraska, and Iowa, LTD did not file its

¹ *Rural Digital Opportunity Fund Phase I Auction (Auction 904) Closes, Winning Bidders Announced, FCC Form 683 Due January 28, 2021*, Public Notice, 35 FCC Rcd 13888, 13891-95, ¶¶ 16-17 (2020).

1 request for ETC designation until late April or early May of 2021. When it was clear that
2 LTD would not have ETC designation in, among other states, North Dakota, Nebraska,
3 Iowa, South Dakota, and Texas by June 7, 2021, LTD sought a waiver of the 180-day
4 deadline to file proof of ETC status. The FCC has not ruled on the requests for waiver in
5 South Dakota and Texas. The FCC did deny the requests for waiver in North Dakota,
6 Nebraska, and Iowa, and its order has no bearing on LTD's South Dakota ETC application.
7 As described in the FCC's October 20 order, the denial was based, in large part, on the
8 dates of filing of the application for ETC status in those states. LTD is planning to seek
9 reconsideration of the FCC's order.

10 The FCC has not determined as a factual matter whether LTD is qualified to receive RDOF
11 support in any state, including North Dakota, Nebraska, or Iowa. Instead, on its face the
12 FCC's order is based upon the timing of its filing for ETC designation in those three other
13 states. Although LTD believes that the FCC erred, that decision should have no impact on
14 South Dakota, where the application for ETC designation was filed on January 7, 2021.

15 **Q. ON PAGE 6 OF HIS PREFILED TESTIMONY, MR. THOMPSON NOTES THAT**
16 **LTD RELINQUISHED CENSUS BLOCKS IN CALIFORNIA, COLORADO,**
17 **IOWA, ILLINOIS, INDIANA, KANSAS, MINNESOTA, MISSOURI, NEBRASKA,**
18 **OHIO, OKLAHOMA, TEXAS, WISCONSIN, AND SOUTH DAKOTA. IS THAT**
19 **CORRECT?**

20 **A.** Yes.

21 **Q. WHY DID LTD RELINQUISH THOSE CENSUS BLOCKS?**

22 **A.** After the FCC originally identified and auctioned those census blocks in the RDOF
23 competitive bidding process, the FCC realized that it had included census blocks that

1 either: (1) do not contain any locations, or include only locations such as international
2 airports and parking lots; or (2) are already served by a broadband provider offering 25/3
3 Mbps service. Based upon this information, on July 26, 2021, the FCC sent letters to LTD
4 and 196 other RDOF auction winners indicating that they could relinquish identified census
5 blocks and that the FCC would look favorably on a waiver request seeking to avoid paying
6 default penalties if relinquishing auction winners demonstrated “good cause” such as
7 indicating that federal support could be better spent in areas truly lacking broadband
8 service. A copy of this letter is attached as Exhibit 13. LTD and many other RDOF
9 applicants have relinquished census block and filed for waiver of the default penalties. A
10 copy of this waiver request is attached as Exhibit 14. To date, no party has opposed LTD’s
11 good cause showing.

12 **Q. MR. THOMPSON CLAIMS THAT LTD’S APPLICATION SHOULD BE DENIED**
13 **BECAUSE LTD FAILED TO PROPERLY ACCOUNT FOR THE CAPITAL**
14 **COSTS OF DEPLOYING LTD’S PROPOSED NETWORK. WHAT IS YOUR**
15 **RESPONSE TO THAT CLAIM?**

16 A. I fully disagree with Mr. Thompson’s conclusions. First, Mr. Thompson estimates it will
17 cost LTD 50% more to deploy its network than LTD anticipated. Mr. Thompson provides
18 no detail or explanation of how he calculated that amount or cost that he claims it would
19 actually cost to build the network. He just says that his company, Vantage Point, is familiar
20 with the cost to build FTTH networks in South Dakota, and this is what it costs. Neither
21 pages 9 and 10 of Mr. Thompson’s prefiled testimony nor pages 6 through 10 of Mr.
22 Thompson’s report indicate how he calculated the construction cost. Nor did he provide
23 the data of the costs from the other projects he claims establish the average cost. Instead,

1 Mr. Thompson merely states that Vantage Point has worked on other FTTH projects in
2 South Dakota, including those in the regions (as defined by Vantage Point) that contain the
3 individual RDOF census blocks. Without the back-up data and assumptions from Mr.
4 Thompson, it is impossible to determine exactly how Mr. Thompson determined his
5 numbers.

6 Essentially, Mr. Thompson claims that he knows the cost to deploy a FTTH network
7 because he has worked on FTTH projects for RLECs. But this experience does not apply
8 to LTD. LTD has a different business model than RLECs, whose rate of return is based
9 upon a percentage of their cost. RLECs have an incentive at times to spend too much on
10 their costs. As a privately held company with a fiduciary responsible to its shareholder,
11 LTD's cost model bears little resemblance to the cost model that RLECs typically use and
12 with which Mr. Thompson is familiar. LTD is confident that it can build its network for
13 less cost than a typical RLEC. In fact, from the previous work we have performed, our
14 experience "scaling" that work, and the plan to build the network, LTD is confident in its
15 ability to deploy its network consistent with the costs stated in its RDOF long form
16 application, just like LTD was successful in deploying its network based upon its Connect
17 America Fund Phase II ("CAF Phase II") award. This may also explain why LTD was able
18 to bid lower than other applicants that have a higher cost basis.

19 **Q. MR. THOMPSON CLAIMS, IN PAGES 6 THROUGH 7 OF HIS REPORT, THAT**
20 **LTD'S PLANNED USE OF GIGABIT CAPABLE PASSIVE OPTICAL NETWORK**
21 **("GPON") WILL NOT ENABLE LTD TO PROVIDE THE PROMISED SPEEDS**
22 **WITHOUT NECESSARY UPGRADES TO THE NETWORK IN THE NEAR**
23 **FUTURE. HOW DO YOU RESPOND TO THAT?**

1 A. LTD has filed engineering plans with the FCC as part of the long form review process, [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 When the FCC signals that it is satisfied with LTD's engineering plans, that should be

5 sufficient for this Commission. Further, LTD's RDOF areas have very low consumer

6 density, and there is sufficient capacity in the designed network for LTD to meet its

7 obligations. Further, any concerns about future capacity needs are addressed by the

8 scalability of LTD's network, which is designed to increase capacity in the coming years

9 if needed.

10 **Q. MR. THOMPSON ARGUES THAT LTD'S FAILURE TO PROPERLY CONSIDER**

11 **ITS CONSTRUCTION EXPENSES MEANS THAT LTD WILL NOT BE**

12 **PROFITABLE. IS HE CORRECT?**

13 A. Mr. Thompson's opinions only focus on RDOF awarded areas. LTD's broader business is

14 profitable without any subsidy. LTD will remain profitable going forward, and it will

15 continue to serve the RDOF census blocks provisionally awarded to LTD.

16 **Q. MR. THOMPSON ALSO CLAIMS LTD FAILED TO DEVELOP A PROPER**

17 **BUSINESS PLAN?**

18 A. I disagree completely. We have provided the required information concerning LTD's

19 financial and operational capabilities to the FCC as part of the RDOF review process. It is

20 the FCC's role to determine the viability of LTD's financial and operational capabilities,

21 and Mr. Thompson's unsubstantiated claims that our plan is inadequate should not be a

22 substitute for the FCC's thorough review.

1 **Q. MR. THOMPSON CLAIMS THAT LTD JUST ASSUMED ITS CONSTRUCTION**
2 **COSTS WERE 1.3 TIMES THE RDOF AWARD WITHOUT ANY BASIS IN FACT.**
3 **WHAT IS YOUR RESPONSE TO THAT STATEMENT?**

4 **A.** Again, the FCC is reviewing our financial and operational capabilities as part of the RDOF
5 application review process. Further, the Commission is not the correct forum to review the
6 cost data and business plan. Ultimately, LTD's costs to construct will be what they will
7 be, and LTD will fulfill its obligations under the RDOF application as it has committed to
8 do.

9 **Q. ON PAGE 13 OF HIS REPORT, MR. THOMPSON CLAIMS THAT LTD'S**
10 **BUSINESS PLAN FAILED TO ACCOUNT FOR THE COST OF CAPITAL OR**
11 **FINANCING. IS THAT CORRECT?**

12 **A.** Once again, this issue is a consideration for the FCC rather than the Commission. LTD
13 has recognized that there will be a cost of capital, and it has considered that as part of its
14 business plan.

15 **Q. ON PAGE 10 OF HIS PREFILED TESTIMONY, MR. THOMPSON CLAIMS**
16 **THAT LTD'S BUSINESS PLAN IN THE RDOF LONG FORM SHOWED 1,500**
17 **SOUTH DAKOTA CUSTOMERS AT THE END OF YEAR 3, BUT LTD'S**
18 **RESPONSES TO SDTA'S DISCOVERY INDICATES LTD ONLY EXPECTS 500**
19 **CUSTOMERS IN THE FIRST FIVE YEARS. WHAT CAUSED THE CHANGE IN**
20 **THE ESTIMATED NUMBER OF CUSTOMERS?**

21 **A.** After our initial filing, LTD modeled more conservative estimates of customer projections
22 in South Dakota. Even under these more conservative estimates, LTD will be in a position
23 to fully perform its obligations if LTD receives RDOF funding.

1 **Q. DOES THIS DECREASE IN THE NUMBER OF CUSTOMERS BY YEAR 3**
2 **DECREASE THE FINANCIAL VIABILITY OF LTD'S DEPLOYMENT PLAN?**

3 **A.** No. The decrease in number of South Dakota customers does not determine the
4 profitability of LTD. It is profitable now, and it intends to remain profitable in the future
5 regardless of the take rate. Further, LTD's profits do not stem solely from revenue in
6 RDOF-supported areas, but areas where LTD does not and will not obtain federal subsidies.
7 Our pricing will be competitive, but it will not be established by annual FCC rate surveys
8 as is the case with CAF Phase II and RDOF.

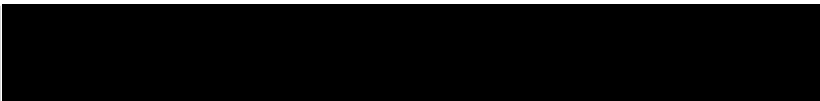
9 **Q. MR. THOMPSON OPINES THAT GRANTING LTD ETC STATUS IS AGAINST**
10 **THE PUBLIC INTEREST BECAUSE LTD WILL FAIL, AND LTD'S RECEIPT OF**
11 **RDOF FUNDING WILL PREVENT OTHER BROADBAND PROVIDERS FROM**
12 **GETTING FUNDING TO SERVE THESE CUSTOMERS. HOW DO YOU**
13 **RESPOND TO THIS?**

14 **A.** I disagree completely. There are several speculative assumptions in Mr. Thompson's
15 opinion. First, Mr. Thompson assumes that LTD will fail. As indicated above, and based
16 upon LTD's success in the CAF Phase II award and its ongoing operations, this is an
17 incorrect assumption.

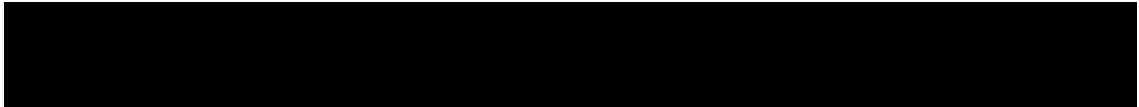
18 Second, even if Mr. Thompson is correct that LTD underestimated the construction costs
19 to deploy its RDOF-supported network, Mr. Thompson wrongfully assumes that LTD's
20 receipt of RDOF funding will prevent other providers from receiving funding to deploy
21 broadband to these unserved census blocks. If LTD does not receive ETC status, then LTD
22 will not receive the RDOF funding in South Dakota. In turn, LTD will not deploy its
23 supported network to the census blocks, which currently lack broadband service. Under

1 RDOF, if LTD does not receive the funds, the funds are not disbursed to another RDOF
2 auction bidder. Instead, the funds will be used to help fund the next phase of RDOF. As
3 a result, just like now, South Dakotans in these census blocks will be without broadband
4 service.

5 If LTD does not receive the RDOF funds, the availability of future funding deploy
6 broadband service to these census blocks is uncertain and speculative. To date, LTD is not
7 aware of any state or federal broadband funding program with enforceable buildout and
8 performance obligations, and there can be no assurance that such governmental support
9 will be available in the future. The rules and procedures for RDOF Phase II have not been
10 established and support under that program is not expected to be available, if at all, until
11 after the FCC completes the broadband map as required by the Broadband DATA Act. In
12 fact, RDOF Phase II may not occur at all, if federal legislation removes support programs
13 from the FCC. Under the current Senate bill, the National Information and
14 Telecommunications Administration, an agency of the Department of Commerce, would
15 have authority to disburse grants through states. At this point, it is uncertain whether the
16 bill will pass both Houses and in what form the final bill may take. Importantly, it cannot
17 be known at this time how much support will be available to South Dakota and its
18 requirements and limitations on how it should allocate support for broadband providers. In
19 addition, areas that are currently deemed to be unserved may be deemed served over time,
20 or it may be that more areas will be eligible for support if the definition of broadband
21 availability changes. As for state-funded programs, LTD is not aware of any current
22 programs in South Dakota.



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Finally, although LTD expects to deploy its network and to be a financial success, Mr. Thompson and SDTA ignore one thing. If LTD receives the RDOF funding and proceeds with construction to deploy its network, the infrastructure will be installed to serve these locations. If LTD fails, under RDOF program rules the FCC will seek recovery from LTD's letter of credit but not the hard assets of LTD's network. These assets could be acquired or used by other providers. So, in the unlikely event LTD defaults, as determined under the FCC's rules and not South Dakota's, the assumption that there will be a "broadband desert" for several years is yet another example of Mr. Thompson's speculation. Instead, the only way a broadband desert arises is if LTD is denied its ETC status and thus does not receive RDOF funding.

Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

A. Yes, and I would ask that the Commission grant the Application.

CERTIFICATE OF SERVICE

I, Jason R. Sutton, do hereby certify that I am a member of Boyce Law Firm, LLP, attorneys for LTD Broadband, LLC and that on the 5th day of November, 2021, a true and correct copy of the foregoing and this Certificate of Service were served via email to the following addresses listed:

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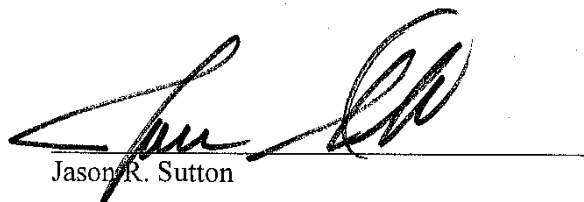
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