December 7, 2022

Honorable Senator Jason Ellsworth
Communication Advisory Commission Chair
Room 302B, State Capitol
Helena, MT 59620-0500
Jason.Ellsworth@legmt.gov

Dear Senator Ellsworth & fellow Commissioners:

My name is Mike Kilgore and I serve as the CEO for both Nemont Telephone Cooperative and our subsidiary Project Telephone Company (PTC). I am writing to you today to thank you and the Communication Advisory Commission for all your hard work with the ConnectMT program. As you well know, connecting all Montanans with modern broadband is a daunting task considering the vast geographic landscape encompassing nearly 147,000 square miles, while serving one of the lowest population densities of the entire country. These two metrics alone underscore the extremely high-cost nature of deploying broadband in our great state for the benefit of those that call Montana home. For these reasons, many of the rural telecom providers in the state of Montana, including Project Telephone Company, have relied on the Federal Universal Service program in order to provide both telephone and broadband service to some of the highest cost locations within our state. Many Montanans would be without basic telecommunications services without such subsidies.

Numerous reasons have brought broadband to the forefront of countless discussions and healthy debates in today’s world. The COVID-19 pandemic clearly established a new focus on the important role that broadband plays in our everyday lives. Not long ago we essentially transitioned to a virtual world overnight due to the pandemic. Without much warning, our children were forced into a distance learning environment, the workplace was possibly forever changed due to remote work, and the benefits of telemedicine were fully recognized. None of this would have been possible without the availability of broadband services. Now, with the federal assistance afforded to the State of Montana via the American Rescue Plan Act, we have the opportunity to improve upon the progress that has already been made by many of the rural broadband providers within the state of Montana. However, we must be very cautious in our approach with the award and implementation of the ConnectMT program to ensure that it does not harm service providers and more importantly, the consumers these networks serve. In other words, first and foremost, in making any awards, the commission has a fundamental duty to ensure that that the implementation of the ConnectMT program does NO harm.

As you are aware, Project Telephone Company submitted a total of 3 applications; Pryor, Huntley, and Worden. What you may not be aware of is that Project Telephone Company is regulated by the Montana Public Service Commission for the provision of regulated telephone service. This is significant for a number of important reasons. First, as it pertains to the Huntley and Worden proposed projects, we must recognize that PTC has an obligation to provide regulated telephone service to ALL locations within the established and PSC recognized telephone exchange boundaries. PTC simply cannot choose to “cherry pick” the highest density areas within the recognized boundaries while excluding the highest cost, most difficult to serve locations like the non-regulated competitors such as Charter Communications. Furthermore, PTC currently provides regulated telephone service to 3,053 subscribers...
and provides broadband service to 3,257 subscribers in an area of approximately 2,653 square miles consisting of 11 distinct telephone exchanges. It is also important to note that 4 of the 11 exchanges (Crow Agency, Lodge Grass, Ft. Smith, and Wyola) have been identified as socially vulnerable areas by the Center for Disease Control, as well as an economic needs based area by the United States Census Small Area Income and Poverty Estimates Program (SAIPE).

As it pertains to the applications for both Huntley and Worden, there are of course competing applications. As it stands now, PTC’s applications are both “above” the line, however, the Worden application is recommended for funding at the 19% level and the Huntley project is recommended at the 18% funding level, while Charter’s competing applications are 100% funded. It’s difficult to comprehend why the applications of Charter are being recommended over the applications of PTC. PTC’s applications propose to serve all locations within the recognized boundaries, inclusive of the highest cost, most difficult to serve locations. The applications of Charter represent the expansion of their Billings network limited to the eastern suburbs of Billings while excluding the highest cost, most difficult to serve locations. Even more concerning is that our analysis shows that our applications propose to serve ALL locations in the Huntley and Worden exchanges at a lower cost per location when compared to the “cherry picking” expansion approach of Charters. In other words, more Montanans would benefit from the ConnectMT program if PTC’s Huntley and Worden projects were selected over the competing applications of Charter.

In the spirit of “doing no harm”, clearly the Commission has the latitude to ensure that no harm will be done with the recommendation and implementation of the selected projects. Arbitrary scoring alone will not ensure that no harm will be done. Careful consideration of the consequences of selecting one competing application over another must be fully understood prior to making any final recommendation and those selections must also made in accordance with the law as set forth in SB 297.

PTC currently provides regulated telephone service to 220 active locations in the Huntley exchange and to 356 active locations in the Worden exchange. In addition, PTC provides broadband service to 279 locations in the Huntley exchange and 440 locations within the Worden exchange. In total, PTC provides broadband service to 719 active locations in the Huntley and Worden exchanges today. By definition, these locations are currently deemed underserved, while Charter’s application indicates that these locations are unserved. This results in an inaccurate scoring for their application. It should be noted that PTC began offering dial-up internet access in these areas in the mid 90’s and has offered xDSL broadband service since 2002. Also worth noting is the fact that Nemont has been operating PTC since 1978 and has a long history of serving these 11 exchanges while maintaining a stellar track record with the Montana Public Service Commission. PTC successfully participated in the federal ARRA program and has successfully completed two projects under this program; Ft. Smith Middle Mile Project and the Crow Agency/Lodge Grass Last Mile FTTP Projects. In the process of improving broadband throughout the entire PTC serving area, inclusive of the debt portion of the ARRA awards, PTC has an outstanding debt obligation to the Rural Utility Service of approximately $8.5 million dollars. Due to the high cost nature of this service area, one can easily see the undue economic harm that will come to PTC if the CAC recommends the “cherry picking expansion” applications over the incumbent who has already established a demonstrated need for government funding to serve these areas. The economic harm caused to PTC would result in lost jobs and lost revenue, which jeopardize PTC’s ability to service its outstanding RUS debt.
To be even more specific, SB 297 explicitly states in section 7 paragraph (5) that “the weighting scheme employed by the department MUST give the highest weight or priority to the following specific criteria:

(e) the length of time the provider has been providing broadband service in the state;

(f) the extent to which government funding support is necessary to deploy broadband service infrastructure in the proposed project area;

(j) the extent to which the project does not duplicate ANY existing broadband service infrastructure in the proposed project area;

(m) any other factors the department determines to be reasonable and appropriate, consistent with the purpose of facilitating the economic deployment of broadband service infrastructure to unserved or underserved areas.

After reviewing the 2021 ConnectMT Program Scoring Chart (Approved and revised as of 1/28/22.), it is clear that the above statutory requirements were not included in the program scoring chart.

Due to the unique circumstances associated with PTC and specifically, the competing applications from PTC and Charter Communications, we respectfully ask that the commission reevaluate the Huntley and Worden applications and reconcile these applications to the statutory obligations contained within SB 297. We are confident that you will find that:

A. PTC is dependent upon government funding.
B. Charter’s applications attempt to duplicate existing broadband infrastructure in the exchanges of Huntley and Worden.
C. PTC has been offering broadband service in the Huntley and Worden exchanges since 2002.
D. It is unreasonable to use taxpayer dollars to fund a competitive overbuild of existing broadband service infrastructure.
E. The most economic deployment in the Huntley and Worden exchanges would be the PTC applications that serve more consumers at the lowest cost per location while retaining jobs.

Again, I would like to thank everyone involved in this painstaking task of implementing the ConnectMT program. While many may say you can’t please all the people all of the time, I would argue that this Commission and the Governor are in a unique position in that they can please both service providers and more importantly, the Montanans who stand to benefit from modern broadband service by not “over rewarding” any single applicant and by following the statutory requirements of SB 297.

If I can be of any assistance, please feel free to contact me.

Sincerely,

Mike Kilgore
Chief Executive Officer
Project Telephone Company
CC: Governor Greg Gianforte