MINUTES OF THE CC COMMUNICATIONS MANAGEMENT

155 N. Taylor St., Fallon, NV 89406
September 7, 2023

Call to Order:
The regular meeting of the CC Communications was called to order at 1:45 PM on September 7, 2023.

PRESENT:	Commissioner Myles Getto Commissioner Harry Scharmann General Manager Mark Feest Chief Financial Officer Jamie Hyde Administrative Assistant Shelly Bunyard
ABSENT:	Commissioner Justin Heath

Public Comment:
Chairman Myles Getto asked if there was any public comment but there was none.

Verification of Posting of Agenda:
It was verified by Shelly Bunyard, Administrative Assistant, that the Agenda for this meeting was posted on the 31st day of August, 2023 between the hours of 1 pm and 5 pm at all of the locations listed on the Agenda, in accordance with NRS 241.

Consideration and possible action re: Approval of Agenda as submitted or revised:
Commissioner Harry Scharmann made a motion to approve the Agenda as submitted. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Approval of Minutes of the meeting held on:

A- July 6, 2023
Commissioner Harry Scharmann made a motion to approve the minutes of the meeting held on July 6, 2023 as submitted. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

New Business:

A- Consideration and possible action re: Enhanced ACAM II election by Rate of Return Carriers.
Mark Feest, CC Communications. Enhanced ACAM II has just been released and I wanted to give you some background. We will have to have a special meeting which will be scheduled for September 20, 2023, the same day as the second general commission meeting during the month. We have until September 29th, to make an election of whether CC Communications wants to participate in Enhanced ACAM II or not. We just received the information and are still evaluating it. We need to have at least one conference call with our cost accountants at Moss Adams to come up with a recommendation. I want to provide some foundational information to the board. The FCC released an order and further notice of proposed rural making regarding what they refer to as Enhanced ACAM II and rural study area disaggregation. ACAM is an acronym for Alternative Connect America Model. Currently, CC Communications is one of 300 companies that are still left on the rate of return. For all of the locations we have in Churchill County that we have a provider of last resort obligation, we will come up with a cost to serve

those customers. We are eligible to receive rate of return universal service support for anything in excess of 135% of the national average to serve a location. In return for that, we can't say no to any reasonable requests for service within our ILEC boundary, which is the boundaries of Churchill County. In some cases, we deliver a $47k upgrade for one customer, which has happened in the last six months. In other cases, we have to guarantee we can do 25/3 within ten days. That's the exchange, and that speed goes up to 100 under the new Enhanced ACAM II. ACAM is an alternative cost model. They come up with road miles, types of terrain and distances to build the model and then they tell you how much it costs to get to and maintain the average location in Churchill County. The unfortunate part of the whole ACAM regime is now we are in Enhanced ACAM II. There was an ACAM I and we received an offer but did not accept the offer. If we had accepted that offer, we would have later received an ACAM II offer. We didn't get that offer because we didn't accept the ACAM I offer. The less you have done historically with ACAM translates to more money today. It looks at how many locations can get 25/3 and now it looks at how many locations can get 100/20. If 95% of your locations can get that, then there is not going to be money for you to upgrade. Everyone who has been offered this over the years has operated under the same rate of return regime for decades. You're actually being penalized if you used that money to upgrade.

The offer we received is lower than the rate of return amount that we currently receive to serve as the provider of last resort. There is a hold harmless provision which says you take whatever you received in 2022 and keep it for five years. In years six through ten you will go down by 4% each year. At year eleven, you will drop down to the model support.

I have projections that we will go over in our next meeting. The projection is for 15 years under ACAM, which is a fairly easy number to come to except we have until September 29th to accept it and they can change the locations afterwards. The locations will not be changed to your benefit but will maybe change to your detriment. It will happen in year eleven. We have very clear numbers of what the money looks like for years one through ten. Years eleven through fifteen, we will have a decent guess what the numbers are for ACAM II, but again at some point in the future they can change those. They've given us a map that shows locations in Churchill County that they feel doesn't get 100/20 and doesn't have Charter. In the next ten years, Charter could build to that location and now it changes to we are not the only ones there, somebody else is there too. You get less money for that. The second thing that can happen is you can find out that location doesn't even exist. That is my biggest concern. When we look at the map, we don't know what they're talking about. There's nothing there. If they say over the next ten years that it turns out that location doesn't exist, you will not get the money for it. If a new location appears in the next ten years, we don't adjust that direction. Years eleven through fifteen is a very concerning area. We can take our best guess at years eleven through fifteen and be very solid on years one through ten, but then we have to compare it to the current rate of return regime. We have to find out under the exact rules we have today, how much universal service support do you get. Then you have to come up with assumptions like the system for rate or return company changes and they pull out every location that Charter is in. They can also change, where the multifamily units will drive our average cost per locations passed down. We aggregate that cost to cross all of Churchill County. If 800 apartments are built that are low cost to serve, our average cost moves down and our rate of return over time goes down. There are a lot of best guesses on what the future holds in both cases.

If we don't give them an answer on September 29th, they will assume our answer is no. We will not take Enhanced ACAM II. I will have those numbers for you at our next meeting as well as additional questions that I have for our cost accountants. Our cost accountant advised he thinks we should not take the Enhances ACAM II. We haven't had a telephone call with him yet.

We have something called a budget control mechanism. You take all the companies that are in rate of return, and they do their own cost studies and certify that the plant we put in the ground is there. Sometimes they will audit you and will measure from one vault to the next. When we turn in our cost studies and we say we need one billion, but their budget is only 900 million, then the budget control mechanism comes in and we will all get 90% of what our cost study says. For the last three years, they have waived it and not imposed the budget control mechanism. The budget control mechanisms are far lower than what I think they are. The cost account will need to explain in detail why his budget control mechanism estimates are so low. I will have answers on that at our next meeting.

Are there any questions you think you will need specifically you will need to hear about to help make a decision at the next meeting.

Commissioner Myles Getto. Is there a bottom to the budget control? Let's say a billion dollars and we have half; can we go all the way down to 50%.

Mark Feest, CC Communications. Yes. Under current rules yes, it would have been 81%. We would have taken a 19% hit last year. First, they tell you what the hit is, and then they will have a meeting to decide to pull that money back. For three years in a row, they completely eliminated it. I've never heard there is a bottom, I would assume there probably is one around 60%. Many companies will take the Enhanced ACAM II and they will then get a certain amount of money for the next ten years. It makes it a little easier on the budget control mechanism. They also came up with an inflationary factor to their budget. There wasn't one for companies like CC Communications, but there was for schools, libraries and hospital funds.

Commissioner Harry Scharmann. Can you explain the inflationary factor?

Mark Feest, CC Communications. They will adjust the budget each year based upon a federal government inflation number. I am not sure what it is. It used to be that it didn't move without a congressional vote to move that budget.

Commissioner Myles Getto. Correct me if I am wrong, at a certain point in time, let's say we have more residents in Churchill County, if we go above that mark can we be booted out of getting USF money, right?

Mark Feest, CC Communications. Right now, you get paid for whatever is above the 135%. If you're at the 145%, you will get paid for the 10%. You will not get paid all the way down to match your cost. Theoretically you could fall below the 135% and then you will be moved out of that system. They have introduced a concept for ACAM, which is operations. It used to be only a capital expense and now in ACAM there is an operational expense associated with that. We are not big collectors on a per location basis. There is a possibility of that ten-year period that we move towards the 135%.

Commissioner Myles Getto. There's no if ands or buts, you're just out.

Mark Feest, CC Communications. Correct. If you're out, you're out.

Commissioner Harry Scharmann. Are you going to have the special meeting before our commission meeting or after.

Mark Feest, CC Communications. That would be a question for the board. What would be their preference?

Commissioner Harry Scharmann. I don't care.

Commissioner Myles Getto. Either way for me too.

Mark Feest, CC Communications. Shelly will reach out to make sure everyone is available.

Commissioner Harry Scharmann. I will have to connect by phone.

None; Informational Only

B- Consideration and possible action re: selection and purchase of upgraded transport equipment.

Mark Feest, CC Communications. The transport network for CC Communications connects Fallon to TRIC, TRIC to Reno and TRIC to Las Vegas and all the points in between. That network equipment is between about twelve years and eighteen months old. We have been notified that the equipment is end of life and end of support. November 24th is the absolute end. Currently, we are struggling to even get parts. We still have engineering support for issues but it's difficult adding a customer and it's difficult getting cards. Another issue is at the most popular locations along that route, it's at full capacity.

As noted, there has been approximately $1.7 million dollars revenue generated on that transport network. We do have a few circuits that are ordered now that we can't fulfill because they are ordered at places that are in higher demand. There are no slots left for those folks.

We utilized Vantage Point Solutions engineering firm, to put together requests for proposals to industry providers that provide this type of equipment. It ended up coming down to two companies. One of which is from bidder number one, which we currently have equipment from but not transport equipment.

Management recommends Bidder # 1, Ribbon Neptune 2100/2300, as this manufacturer has (1) been much more responsive, (2) fully complied with the RFP, and (3) will provide a discount of approximately $300,000 on the purchase of a soft switch in the next FY.

Our switch is also end of life and end of support in the following year. It would have been budgeted in the following year to replace that, but we're recommending going with the same company for transport equipment that we currently have for that switch. We want to stay with this company for the switch. It may be covered here depending on whether or not there is approval.

The attached memorandum to this item explains the budget impact for this equipment. The base quote for this item is $1,920,938.00 and add $86,453.00 to that quote for a folded protection. The total budget impact amount for this equipment is $2,007,297.00. We compare that quote to bidder number two which was $1,997,000.00. The one we're recommending is $10,000.00 more and is the manufacturer of our current switch. We've known for a while that it would have to be upgraded. It's fully depreciated. I suppose they want us to use their transport gear. They will provide a credit of $337,000.00 when we go to buy that switch in the next fiscal year. We are comparing $2,007,297.00 less the $337,000.00 to the other quote of $1,997,000.00. The purchase order will be in the amount of $2,523,234.00, because we also add onto that PO four additional years of support and maintenance. That doesn't have a budget impact this year but will in the FY 23-24 budget impact is at $2,007.297.00. In our capital budget, we had budgeted for transport gear in the amount of $1,738,800.00. This is about $270,000.00 more than originally budgeted for but then again, it's used for getting the credit from the switch. The budget impact will be covered in FY 23-24 by the budgeted transport gear in the amount of $1,738,800.00 and the under-ground cable job will be moved to FY 24-25. We won't be budgeting in FY 24-25 for the switch, because we will be using the credit. The two items have already been approved in our current capital budget, but we are not spending it exactly how it was approved. That's why this item is before you asking for approval.

Commissioner Myles Getto. That's a pretty substantial savings on the switch. Right?

Mark Feest, CC Communications. It is. We were going to have to purchase this next year. We don't always want to tip our hand when going out for an RFP, but this was our preferred company. Ribbon has been acquiring other companies over the last few years. They didn't create their own transport gear. They bought an existing transport gear company. They will get their current customers to be both a switch customer and a transport gear customer. That's probably why we received this credit. They don't want to pick us up as a transport customer and then lose us in their original switch quote.

Commissioner Harry Scharmann made a motion to approve the selection and purchase of Ribbon Neptune 2100/2300 transport equipment in the amount of $2,007,297. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

C- Consideration and possible action re: selection and purchase of upgraded switch equipment.

Item was withdrawn from Agenda on record.

<u>Consent Items</u>:

A- Consideration and possible action re: PO#19239 IT Dynamix LTD., $61,142.65 for Forcepoint firewall, license, maintenance and support. NRS 332.115(1)(a).

Commissioner Harry Scharmann made a motion to approve the consent item as submitted. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

B- Consideration and possible action re: PO#19241 Walker & Associates, Inc., $153,248.98 for prepaid Support/Maintenance Contract for BTI/Juniper equipment to Las Vegas Link. NRS 332.115(1)(a).

Commissioner Harry Scharmann made a motion to approve the consent item as submitted. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

<u>Reports: General Manager Report</u>:

1. Grants
   a. SCA
      1. SCA Phase 1 and 2 on track
      2. Waiting on power from NV Energy, but otherwise Phase I is complete.
      3. The project should now move along on pace unless material supply or weather creates delays.
   b. Tribal
      i. We continue to try to move these along
      ii. No significant progress with Awardees
2. Network
   a. Edge Routing redesign and implementation in progress.
   b. Modifications to network monitoring and maintenance in progress.
   c. IPV4 to IPV6 transition planning.
   d. Transport Gear upgrades will start once equipment is approved and delivered.
3. Human Resources
   a. Jobs posted for
      i. COO
      ii. CTO
      iii. Network engineers
      iv. Installer
      v. Accountant
4. Accounting
   a. Audit
   b. Evaluation of Enhanced ACAM II

Affidavit of Posting:

Public Comment:
Chairman Myles Getto asked if there was any public comment but there was none.

Adjournment:
The meeting was adjourned at 2:15 p.m.

APPROVED: ______________________
Myles Getto, Chairman

APPROVED: ______________________
Harry Scharmann, Vice, Chairman

APPROVED: ______________________
Justin Heath, Commissioner

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Shelly Bunyard, Administrative Assistant

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Mark Feest, General Manager/CEO