



Advocates for Rural Broadband

Mark M. Gailey
President

Kelly Worthington
Executive Vice President

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Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**RE: WC Docket Nos. 10-90, 14-58, 07-135 and 13-184; WT Docket No. 10-208; and
CC Docket No. 01-92**

Dear Ms. Dortch:

On Wednesday, October 1, 2014, Mark Gailey of Totah Communications, Inc. of Ochelata, OK; Jerry Piper of Cambridge Telephone Co. in Cambridge, ID; Kip Wilson of Direct Communications in Eagle Mountain, UT; and Derrick Owens, Patricia Cave and Gerard Duffy representing WTA – Advocates for Rural Broadband (“WTA”) met with Priscilla Delgado Argeris, Legal Adviser to Commissioner Jessica Rosenworcel, to discuss various matters regarding the Rural Association Data-Only Broadband Plan and the E-Rate Modernization Further Rulemaking.

The Data-Only Broadband (“DOBB”) Plan proposed by the national rural telecommunications and broadband associations (and supported by many state associations) now contains a specific mechanism that will reduce the amounts distributed by the DoBB mechanism, if necessary, to ensure that the total amount of annual high-cost support distributed to rate-of-return (“RoR”) carriers during any future year does not exceed the target RoR budget for that year. The DoBB Plan distributes support equitably and efficiently in a manner that allows rural customers to purchase the broadband services they want without being forced to purchase unwanted voice services. Messrs. Gailey and Wilson described the efforts of their companies to meet the service needs of their rural customers, and the disbelief and aggravation they have encountered when customers learn that the monthly rates for the currently unsupported broadband-only services they desire are much higher than rates for voice and broadband service. The DoBB Plan also includes a \$26 per month wholesale benchmark (to ensure that customers bear a portion of the recovery of regulated broadband transmission costs) and a Capital Budget Mechanism (to provide predictable and stable guidelines for the amounts of reasonable and prudent investment that will be supported). The DoBB Plan ensures no double recovery by supporting only regulated Title II costs, and by shifting all Category 1.3 costs attributable to a customer from legacy mechanisms to the DoBB mechanism once the customer adopts the DoBB service.

The only one of the Commission’s proposed RoR broadband support mechanism goals that the DoBB Plan cannot meet is that recommending support based upon forward looking (rather than embedded) costs. WTA and the other Rural Associations have studied this matter long and hard, but (assuming that “forward looking costs” can be defined in a specific and operational manner) have not been able to find a viable “forward looking” alternative. WTA agrees with CenturyLink and other who have shown that models like the Connect America Cost Model (“CACM”) can be reasonably accurate on an averaged basis if their discrepancies at individual locations can be smoothed out over hundreds or thousands of service areas. However, such models

create unwarranted major winners and threaten the viability of major losers when applied to small companies that do not serve enough areas to allow a smoothing out process to occur. Likewise, use of different support mechanisms for investments before and after a date certain may initially appear to be a reasonable approach, but is likely to create major complexities and unforeseen consequences if implemented. Such problems include maintenance of additional sets of records, allocation of operating and administrative expenses, pricing of similar services receiving differing amounts of support, increased auditing and reporting complexities and costs, and costing and pricing of services using both pre-date certain and post-date certain facilities.

Messrs. Piper and Gailey summed up the DoBB Plan discussion as follows: if the Commission wants RoR carriers to make the necessary multi-decade investments in broadband, it needs to provide stable, predictable and sufficient rules and support mechanisms under which they can operate their businesses and recover their investments.

The proposed consortia rules and incentives pending in the Commission's further rule making in the E-Rate Modernization proceeding (WC Docket No 13-184) were also discussed. The primary concerns of WTA members are: (1) that consortia tend to be much more focused upon larger urban and suburban schools and libraries, and tend to overlook or disregard the actual service needs and financial resources of smaller rural schools and libraries; (2) that consortia often ignore the presence and capabilities of RoR carriers serving rural schools and libraries, and exclude them purposely or inadvertently from participation; and (3) that RoR carriers have a long and demonstrated record of serving their rural communities, and should be encouraged to continue providing customized and often less expensive facilities and services that directly address the actual needs of their local rural schools and libraries rather than being overbuilt by some statewide consortia. WTA expressed concern with the sustainability of the E-rate program if the consortia rules incentivize bulk purchasing in a way that does not ensure the consideration of individualized, local school and library district data needs which often can be met in a more cost-effective manner by local service providers that already serve those communities.

Attached is the Idaho Educational Network data that Mr. Piper mentioned during the meeting. He also reiterates here his statement that he has been told by at least one educator that during Common Core and other testing, student use of bandwidth on school broadband facilities decreases.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings.

Respectfully submitted,

Gerard J. Duffy
WTA Regulatory Counsel

Blooston, Mordkofsky, Dickens, Duffy & Prendergast, LLP
2120 L Street NW (Suite 300)
Washington, DC 20037
Telephone: (202) 659-0830
Email: gjd@bloostonlaw.com

Attachment

cc: Priscilla Delgado Argeris