Advocates for Rural Broadband
Mark M. Gailey
President
Kelly Worthington
Executive Vice President

September 18, 2015

<u>Filed Via ECFS</u>
Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

RE: *Connect America Fund*, WC Docket No. 10-90

Dear Ms. Dortch:

On Wednesday, September 16, 2015, Archie Macias of Wheat State Telephone ("Wheat State") in Kansas; Steven Sanders, Jr. of Northern Arkansas Telephone Company ("NATCO") in Arkansas; David and Marilyn Osborn of Valley Telephone Cooperative, Inc. ("VTX1") in Texas; Dana Baker and Judy Ushio of GVNW Consulting; Lynn Merrill of Monte R. Lee and Company; and Derrick Owens, Patricia Cave and Gerry Duffy representing WTA – Advocates for Rural Broadband ("WTA") met with Travis Litman, Senior Legal Advisor to Commissioner Jessica Rosenworcel, to discuss their experience in serving rural areas and its relevance to universal service reform.

Messers. Macias, Sanders and Osborn each described their companies and their rural service areas, and provided the attached one-page summaries. All three companies emphasized the substantial need for broadband services in their rural areas. Farmers and ranchers depend upon the up-to-date pricing, sales, weather and other critical information they monitor constantly online. Drillers seeking oil and gas in remote areas require 24/7 high-speed broadband connections with their managements and vendors. In fact, many drilling companies are increasingly confining their operations to areas with high-speed broadband service. Rural broadband connections are becoming increasingly important for elementary and high school students to do their homework and projects, and for students of all ages to take online academic and training courses.

All three companies have deployed broadband facilities, including fiber-to-the-home ("FTTH"), to substantial portions of their service areas. They emphasized that their broadband networks not only serve their residential and business customers, but also support local schools, libraries, hospitals and other rural health care facilities, and provide backhaul for local wireless services.

The three companies expressed their desire to continue to invest in the extension and upgrading of their broadband networks to provide the higher and higher speed services and applications their rural customers want. However, the uncertainty and insufficiency of high-cost support during recent years has caused them and their lenders (primarily, the Rural Utilities Service) to become much more cautious in planning, financing and undertaking substantial infrastructure deployment projects.

The companies are aware of the ongoing discussions at the Commission regarding further universal service reform, and of the possibility of a two-pronged path going forward consisting of optional Model-based support and revised rate-of-return mechanisms. All three companies indicated that they were reviewing potential options and alternatives with open minds, and that they had not yet reached any conclusions or determined their preferences. They did, however, note certain questions and concerns with respect to each potential approach.

With respect to the Alternative Connect America Model ("A-CAM"), the companies indicated that assumed network structures and cost estimates based upon price cap company networks in more densely populated areas do not apply to many smaller rural local exchange carriers ("RLECs") that serve areas so sparsely populated that the price cap carriers have long declined to serve them. As a concrete example, whereas many mapping sources place "locations" at mailboxes or driveway access points, most substantial farms and ranches locate homes and other living quarters well off the road, often several miles from such designated "locations." Whereas a model can show a readily served "location," the RLEC will need to install and maintain a lengthy and expensive drop to serve the actual customers at the "location." Mr. Osborn observed that low population density areas were particularly likely to render model assumptions and estimates inaccurate, and that differing soil and rock conditions also produced significant distortions.

With respect to rate-of-return mechanism revisions under consideration, the companies were concerned that the bifurcation of "old" and "new" investment under consideration was being developed too rapidly without sufficient time for detailed testing and analysis, and consequently was likely to entail unforeseen consequences. They were particularly worried that it will require complicated and expensive additional bookkeeping, allocation, reporting and auditing procedures.

Whatever high-cost support mechanisms the Commission ultimately uses, the three companies emphasized their urgent need for stability, predictability and sufficiency. Small RLECs and their lenders simply cannot undertake broadband infrastructure projects with 10-to-25 year useful lives and loan terms without reasonable certainty that there will be sufficient revenues to recover the costs and repay the loans.

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 proceeding.

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

cc: Travis Litman

Attachments