Advocates for Rural Broadband

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Filed Via ECFS
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, October 28, 2015, Dave Schornack of Arvig Enterprises, Inc. ("Arvig") in Minnesota; Jason Hendricks of the Range family of telecommunications companies ("Range") in Wyoming and Montana; Brad Veis of 3 Rivers Communications ("3 Rivers") in Montana; and Eric Keber and Gerry Duffy representing WTA – Advocates for Rural Broadband ("WTA") met with Rebekah Goodheart, Legal Advisor-Wireline to Commissioner Mignon Clyburn, to discuss their experience in serving rural areas and its relevance to universal service reform.

Messers. Schornack, Hendricks and Veis each described their companies and the high-cost, sparsely populated rural areas that they serve. All three companies emphasized their efforts to deploy fiber optic facilities and to improve and extend the broadband services needed and wanted by their rural customers.

Whereas customer demand and other economic and social factors drive broadband investment decisions, uncertainty during recent years regarding the future of universal service revenue streams has affected business planning and lender interest with respect to broadband infrastructure investment by the three companies and other rural telephone carriers. Although they have been following recent efforts to develop a dual-path system of universal service support for rate-of-return carriers, they have not yet been able to determine accurately the likely impacts of the potential future support mechanisms upon their operations due to the number of significant details that remain unresolved.

With respect to the proposed voluntary Alternative Connect America Cost Model ("ACAM") path under consideration, the companies expressed concerns regarding the general accuracy of the price cap-based model for rural companies, as well as their present inability to determine the amount of Model-based support they might receive and their associated build-out obligations. They noted the possibility that the Commission might reduce the cap on ACAM support per location in order to adjust the new locations required to be served in response to possible reductions of Model-based support and indicated that this would reduce their ability to serve the remote, high-cost customers that most need universal service support. They also noted that many state universal service funds are tied to the existing federal mechanisms, such that shifts to Model-based support could mean loss of state support by some rural carriers.

The companies also expressed concern that the proposed bifurcated rate-of-return path was being developed in a rapid and untested manner, and could well entail a number of unforeseen consequences. They pointed particularly to the increased recordkeeping and accounting complexities and costs and the difficulties of accurately and equitably allocating investments and associated operating expenses.

Finally, for both potential universal service support paths, a supported rural broadband speed of 10 Mbps downstream and 1 Mbps upstream is not going to remain reasonably comparable to urban broadband speeds and applications for very long. Likewise, the Commission's contemplated methods of eliminating or reducing support in areas with "unsubsidized competitors" appear to be based upon FCC Form 477 data that does not include the necessary information as to whether all locations within the relevant census blocks are served. The companies suggested that one potential solution that could address both problems is to require a claimed "unsubsidized competitor" to provide service at the same broadband speed as the eligible telecommunications carrier ("ETC") whose support it is seeking to have reduced or eliminated. Such a standard could eliminate potential situations where an ETC with a fiber network capable of providing virtually any bandwidth that its customers want in the present or future would be deprived of critical universal service support and forced out of business by an entity that, even if it is actually able to provide 10/1 service today, is unlikely to be able to furnish significantly greater bandwidth either now or in the future.

Whatever high-cost support mechanisms the Commission ultimately adopts, 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 associated 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,

/s/ Gerard J. Duffy

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Attachment