Advocates for Rural Broadband
Jerry Piper
President
Kelly Worthington
Executive Vice President

July 12, 2018

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

RE: ***Connect America Fund*, WC Docket No. 10-90;**
***ETC Reports and Annual Certifications*, WC Docket No. 14-58;**
***Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07- 135;**
***Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92**

Dear Ms. Dortch:

On Tuesday, July 10, 2018, Jerry Piper of Cambridge Telephone Company, an Idaho Alternative Connect America Cost Model ("ACAM") rural local exchange carrier ("RLEC"); Eric Votaw and Jenifer Vellucci of Ducor Telephone Company, a California cost-based RoR RLEC; John Lundgren of Volcano Telephone Company, a California cost-based RoR RLEC; Dave Osborn and Marilyn Osborn of the VTX1 Companies, a Texas cost-based RoR RLEC and affiliates; and Derrick Owens, Bill Durdach and Gerry Duffy representing WTA – Advocates for Rural Broadband ("WTA") met with Sue McNeil, Alexander Minard, Suzanne Yelen, Jesse Jackman and Richard Urban of the Wireline Competition Bureau, to discuss questions and concerns regarding the high-cost support budget for RoR companies.

WTA and its members emphasized the critical need for a substantial increase in the outdated 2011 budget for high-cost support for RoR carriers. This increase is warranted, in major part, because of the substantial construction and operating cost increases that have occurred during the course of the transformation of the predominately voice and lower-speed broadband network of 2011 into today's higher and higher-speed broadband network. WTA emphasized that these cost increases exceed general price level inflation, and include, for example, significant changes in the nature and amount of labor costs. All four participating WTA members indicated that they have an extremely difficult time attracting and retaining the qualified technical employees necessary to operate their broadband networks and to provide broadband-required cybersecurity functions. Some have tried, with mixed success, to retrain their existing voice service technicians, while all must compete both with high-tech and other large companies and with regional urban centers to obtain and retain qualified technical employees. All have had to offer and pay significantly higher wages and substantial benefits packages to attract the needed Information Technology ("IT") professionals and technicians to their rural offices, and some have had to pay even higher amounts to outside contractors when they could not obtain the necessary in-house personnel. The WTA members emphasized that RLECs now must have sophisticated and expensive IT, packet switching and cybersecurity expertise, and that new broadband-related problems such as "denial-of-service" attacks must be addressed in rural as well as urban areas.

WTA reiterated its support for “full funding” of both the ACAM mechanism (up to a $200 per location funding cap) and the cost-based RoR mechanisms (including elimination of the continuing impact of the Rural Growth Factor). WTA recognizes the budgetary difficulties that accompany the desired transition to customer broadband-only loop (“CBOL”) service, particularly the increased allocation of loop costs to the interstate jurisdiction. To the extent that full funding is impacted by funding shortages and/or faster than expected transitions to CBOL, a minimum threshold of support for cost-based RLECs may be warranted to minimize unpredictable fluctuations of cost-based support, WTA proposes one consisting of 90 percent of the moving three-year average of each carrier’s unconstrained High Cost Loop Support (“HCLS”) and Connect America Fund – Broadband Loop Support (“CAF-BLS”)).

WTA noted that its estimated “fully funded” RoR budget – which begins at $2.426 billion in 2018 and gradually increases to $2.975 billion in 2026 – is not an unduly large or unreasonable increase over the current $2.0 billion budget and additional CAF Reserve infusion for ACAM. WTA is very willing to have further conversations with the Bureau to address budgetary issues and alternatives.

WTA also supports a second ACAM glide path offer available to all cost-based RLECs willing to accept a voluntary reduction in their high-cost support, including those previously deemed to be ineligible due to their 10/1 and/or fiber-to-the-premises (“FTTP”) deployment. WTA believes that use of a “flexible funding cap” that would limit each electing RLEC’s glide path support loss to five percent (5%) would be the most effective alternative for increasing ACAM participation and reducing overall budget pressures.

WTA reiterated its recommendation that consideration of any broader second ACAM offer be postponed until the impacts of budgetary revisions for existing ACAM and cost-based RoR RLECs, and of a second ACAM glide path offer, can be determined.

WTA emphasized the importance of deploying and upgrading the service of all rural customers in RoR areas whether their RLEC receives ACAM support or cost-based RoR support, and the resulting need for the high-cost budget mechanisms not to favor either group of RLECs over the other. WTA also noted that sufficient and predictable RoR high-cost support mechanisms enable the upgrade and operation of the basic broadband networks that serve households and businesses in RLEC exchange areas, and have the additional advantage of allowing the E-Rate, Rural Health Care and Lifeline programs to operate more efficiently in conjunction with existing RLEC facilities and to be more effective in serving and communicating with households and businesses in RLEC areas. WTA stresses that its focus is upon the ways that all USF programs and mechanisms can work together to better serve the public, and that it will vigorously oppose efforts by any group to increase its USF support at the expense of other groups or mechanisms.

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,

/s/ Gerard J. Duffy

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